Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement and the listing documents attached hereto, make no representation as to their 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 and the listing documents attached hereto.

This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an invitation or offer to acquire, purchase or subscribe for securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document attached hereto 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) and the Guarantor (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws 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. 571of the Laws of Hong Kong).*

*Any notes that may be issued under the Programme (as defined below) (the "**Notes**") will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and subject to certain exceptions, may not be offered or sold to non-U.S. persons within the United States. This announcement is not for distribution, directly or indirectly, in or into the United States.*

Notice to Hong Kong investors: *The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) 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 ON THE STOCK EXCHANGE OF HONG KONG LIMITED

U.S.$3,500,000,000 Medium Term Note Programme (the "Programme")

INVENTIVE GLOBAL INVESTMENTS LIMITED

(a BVI business company incorporated with limited liability in the British Virgin Islands)

(as the Issuer, a wholly-owned subsidiary of ABC International Holdings Limited)

unconditionally and irrevocably guaranteed by

農銀國際

ABC INTERNATIONAL

ABC INTERNATIONAL HOLDINGS LIMITED

(incorporated with limited liability in Hong Kong)

(as "Guarantor")

Arrangers and Dealers

ABC International **Agricultural Bank of China Limited Hong Kong Branch**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Programme on The Stock Exchange of Hong Kong Limited dated 23 August 2021 published by the Issuer.

Please refer to the offering circular relating to the Programme dated 23 August 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 August 2021

As at the date of this announcement, the Directors of the Issuer are TSE Sing Tung Tony, WU Liyun, YANG Raorao and PENG Ching.

As at the date of this announcement, the Directors of the Guarantor are: HUANG Haiqin, CAO Yi, SUN Meiyu, WANG Qingshan, LI Qiyun and ZHU Hailin.

Appendix
Offering Circular dated 23 August 2021

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY US PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing 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 any time you receive any information from us as a result of such access.

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 UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND SECURITIES IN BEARER FORM ARE SUBJECT TO US TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED INTO OR WITHIN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES, 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.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY US PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that you are outside the United States or, in respect of any offering of securities under Category 2 of Regulation S, you shall be deemed to have represented to us that you are not a US person. In addition you shall be deemed to have represented to us 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 and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this 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 Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined below) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Inventive Global Investments Limited (the "**Issuer**"), ABC International Holdings Limited (the "**Guarantor**") and ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, or any additional Arranger or Dealer appointed under the Programme (together, the "**Arrangers**" and the "**Dealers**"), any person who controls any of the Arrangers or the Dealers, any director, officer, employee nor agent of the Issuer or the Guarantor or the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. 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.

INVENTIVE GLOBAL INVESTMENTS LIMITED

(incorporated with limited liability in the British Virgin Islands)

(as the Issuer, a wholly-owned subsidiary of ABC International Holdings Limited)

unconditionally and irrevocably guaranteed by

農銀國際

ABC INTERNATIONAL

ABC INTERNATIONAL HOLDINGS LIMITED

(incorporated with limited liability in Hong Kong)

US$3,500,000,000

Medium Term Note Programme

Under the US$3,500,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Inventive Global Investments Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by ABC International Holdings Limited (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed US$3,500,000,000 (or its equivalent in other currencies, subject to increase as described herein). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (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 for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

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

Notice to Hong Kong investors: The Issuer, the Guarantor and the Group confirm 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, the Issuer, the Guarantor and the Group confirm 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 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor or the Group, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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 of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*" and each term therein, a "**Condition**") 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 date of issue of the Notes of such Tranche.

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 any other stock exchange. 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 Notes**") and will be sold in an "offshore transaction" within Regulation S under the Securities Act (defined below). The Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes in bearer form may not be offered, sold or delivered within the United States or, where the TEFRA D Rules are specified in the applicable Pricing Supplement, to a United States person. Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), not earlier than 40 days after the issue date of the relevant Tranche of the Notes and (if the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable) upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes, in whole but not in part, as described under "*Form of the Notes*". Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as global certificates ("**Global Certificates**"). Global Notes and Global Certificates may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), with a common depositary on behalf of Euroclear and/or Clearstream or (b) in the case of a Series intended to be cleared through the Central Moneymarkets Unit Service (the "**CMU**"), operated by the Hong Kong Monetary Authority (the "**HKMA**"), with a sub-custodian for the CMU or, (c) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU or delivered outside a clearing system, as agreed between the Issuer and the Relevant Dealers. The provisions governing the exchange of interests in Global Notes for other Global Notes or Definitive Notes or Global Certificates for Individual Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Where the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (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 National Development and Reform Commission of the PRC (the "**NDRC**") and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota and/or the relevant pre-issuance registration or amended registration certificate available to the Guarantor (where applicable) or the shareholder of the Guarantor and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the Notes to be issued in accordance with these Conditions, with respect to the offering of a particular tranche of Notes, the Guarantor undertakes to cause the relevant entity (including the shareholder of the Guarantor) to make the required filing with the NDRC within the period prescribed in the NDRC Circular and obtain the relevant certificate of any registration or amended registration (where applicable) with respect to the offering of the Notes. The Guarantor (or cause the shareholder of the Guarantor) is also required to provide the requisite information on the issuance of such Notes to the NDRC within the time period prescribed by the NDRC Circular after the issuance of the Notes.

The Notes and the Guarantee of the Notes 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 or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to US tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered into or within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S under the Securities Act ("Regulation S"), to, or for the benefit of, US persons (as defined in Regulation S). Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

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).

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the 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 under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers 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 Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the 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 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 Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", such 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 MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation 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 Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). 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.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", such 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 ("**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 ("**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 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. Consequently no key information document required by Regulation (EU) No 1286/2014 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.

The Programme is expected to be assigned ratings of "A2" by Moody's Investors Service ("**Moody's**"). 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 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.

Investing in 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 applicable 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. 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 of the Notes, are discussed under "*Risk Factors*" below.

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, the Guarantor and the Group. Each of the Issuer, the Guarantor and the Group accepts full responsibility for the accuracy of the information contained in this Offering Circular 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.

Arrangers and Dealers

ABC International **Agricultural Bank of China Limited Hong Kong Branch**

The date of this Offering Circular is 23 August 2021

IMPORTANT NOTICE

Each of the Issuer and the Guarantor having made all reasonable enquiries confirms that to the best of its knowledge and belief this Offering Circular (i) contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**"), the Notes and the Guarantee of the Notes which, according to the particular nature of the Issuer, the Guarantor, the Group and of the Notes and the Guarantee of the Notes, is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Issuer, the Guarantor, the Group and of their respective profits and losses and of the rights attaching to the Notes and the Guarantee of the Notes and such information is accurate and complete in all material respects and; (ii) does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (iii) the statements of intention, opinion and expectation contained in this Offering Circular with regard to the Issuer, the Guarantor and the Group are fair and made after due and careful consideration, are fair and reasonable and based on facts known, or which ought on reasonable enquiry to have been known, to the Issuer, the Guarantor and/or its directors or any of them.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

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, the Group, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Group, the Arrangers or the Dealers 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. In particular, no action has been taken by the Issuer, the Guarantor, the Group, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. 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.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the EEA, the United Kingdom, the Netherlands, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, and to persons connected therewith. The Notes 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 or other jurisdiction of the United States and may include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered into or within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to, or for the benefit of, US persons (as defined in Regulation S). For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer, the Guarantor or the Group to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, any Arranger or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer, the Guarantor or the Group since the date thereof or, if later, 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 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 or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the Arrangers, the Dealers, or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed US$3,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into US dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT 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 FOR A LIMITED PERIOD AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER(S) TO DO THIS. 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.

None of the Arrangers, the Dealers, the Issuing and Paying Agent and Transfer Agent (as defined herein), Fiscal Agent (as defined herein), CMU Lodging and Paying Agent (as defined herein) and Registrar (as defined herein), (collectively, the "**Agents**") or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers or any Agent or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers or any Agent or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any Arranger, any Dealer, any Agent, or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or on its behalf in connection with the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent and any of their respective affiliates, directors, employees, agents, representatives, officers or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

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.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Group, the Arrangers or the Dealers, or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers that any recipient of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any

investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers.

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).

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**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 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 under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers 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 Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the 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 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 Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", such 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 MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation 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 Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). 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.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", such 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 ("**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 ("**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 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. Consequently no key information document required by Regulation (EU) No 1286/2014 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.

PRESENTATION OF INFORMATION

In this Offering Circular, where information has been presented in thousands, millions or billions 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.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "**US$**" and to "**US dollars**" are to United States dollars; all references to "**HK$**" and "**Hong Kong dollars**" are to Hong Kong dollars; all references to "**pounds sterling**" and "**£**" are to the currency of the United Kingdom; all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended; all references to "**S$**" are to Singapore dollars; all references to "**yen**" are to Japanese yen; all references to "**Renminbi**", "**Chinese Yuan**" and "**RMB**" are to the currency of the PRC; all references to "**United States**" or "**US**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "**PRC Government**" mean the government of the PRC; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China; and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland.

In this Offering Circular, the terms "we", "our", the "Guarantor" and words of similar import refer to ABC International Holdings Limited and its consolidated subsidiaries, as the context requires. The term "**ABC**" refers to Agricultural Bank of China Limited and the term "**ABC Group**" refers to Agricultural Bank of China Limited and its consolidated subsidiaries, as the context requires.

The Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 and 31 December 2020 together with the corresponding figures as at and for the years ended 31 December 2018, 2019 and 2020 have been derived from its financial statements as at and for the year ended 31 December 2019 and 31 December 2020 which are included elsewhere in this Offering Circular. The audited consolidated financial statements of the Guarantor have been prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**").

The Guarantor has initially applied HKFRS 16 (Leases) at 1 January 2019. Under the transition methods chosen, the comparative information is not restated. Please refer to note 2.2 (The impact of changes in principal accounting policies) to the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 for details. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2019 against the Guarantor's historical financial figures prior to 1 January 2019 and when evaluating the Guarantor's financial condition and results of operations.

In 2019, the Guarantor considered that the separate disclosure of interest income from the revenue from brokerage, corporate finance, investment, asset management and property investment on the face of consolidated statement of comprehensive income would better enhance the presentation of information and the usefulness to the users of the consolidated financial statements. Accordingly, certain comparative information for the year ended 31 December 2018 have been re-presented in the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 to conform with the new presentation of the Guarantor's audited consolidated financial statements for the year ended 31 December 2019. The Guarantor's consolidated financial information as at and for the year ended 31 December 2018 included in the Offering Circular has been derived from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019. Please refer to Note 5 to the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 for more details.

Further, in 2020, the Guarantor has re-considered the form of presentation of account and trade receivables on the face of consolidated statement of financial position, and considered that the combined disclosure of incorporating accrued fee income under account and trade receivables on the face of consolidated statement of financial position would better reflect the underlying nature and allow a more understandable presentation of the Group's financial position. Accordingly, certain comparative information as at and for the year ended 31 December 2019 have been re-presented in the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 to conform with the new presentation of the Guarantor's audited consolidated financial statements for the year ended 31 December 2020. The Guarantor's consolidated financial information as at and for the year ended 31 December 2019 included in the Offering Circular has been derived from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020. Please refer to Note 19 to the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 for more details. The comparative figures as at and for the year ended 31 December 2018 have not been re-presented to conform with the new presentation and accordingly may not be comparable to the summary consolidated financial information as at and for the years ended 31 December 2019 and 2020. Investors must therefore exercise caution when considering the consolidated financial information of the Guarantor contained herein to evaluate the Guarantor's financial condition.

None of the Arrangers, the Dealers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such financial information of the Group for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations.

FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*" and elsewhere in this Offering Circular constitute "forward looking statements". The words including "believe", "intend", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Guarantor or the Group and the plans and objectives of the management of the Guarantor and the Group for its future operations (including development plans and objectives relating to the Guarantor's or the Group's operations), are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Guarantor or the Group to differ materially from those expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Guarantor's and the Group's present and future business strategies of the Guarantor and the Group and the environment in which the Guarantor or the Group will operate in the future. The Issuer, the Guarantor and the Group expressly disclaim any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward looking statements attributable to the Issuer, the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with (i) each relevant Pricing Supplement, (ii) and all amendments and supplements from time to time to this Offering Circular, and (iii) any audited or reviewed annual or interim financial statements of the Group that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time, 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 to the extent that a statement contained in any such document is inconsistent with such contents.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Copies of all such documents which are incorporated by reference in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents (as defined under "*Terms and Conditions of the Notes*") and the principal office in Hong Kong of the Fiscal Agent (as defined under "*Summary of the Programme*") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

TABLE OF CONTENTS

	Page
IMPORTANT NOTICE	i
PRESENTATION OF INFORMATION	vi
FORWARD LOOKING STATEMENTS	viii
INFORMATION INCORPORATED BY REFERENCE	ix
SUMMARY OF THE PROGRAMME	1
SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR	7
RISK FACTORS	13
FORMS OF THE NOTES	46
TERMS AND CONDITIONS OF THE NOTES	53
FORM OF PRICING SUPPLEMENT	87
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM	103
CAPITALISATION AND INDEBTEDNESS	105
USE OF PROCEEDS	106
DESCRIPTION OF THE ISSUER	107
DESCRIPTION OF THE GROUP	108
DIRECTORS AND SENIOR MANAGEMENT	129
TAXATION	131
SUBSCRIPTION AND SALE	136
GENERAL INFORMATION	143
INDEX TO FINANCIAL STATEMENTS	F-1

SUMMARY OF THE PROGRAMME

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. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	Inventive Global Investments Limited.
Issuer Legal Entity Identifier (LEI).	222 1005EX2X7ALDBEA02.
Guarantor	ABC International Holdings Limited.
Description	Medium Term Note Programme.
Programme Size.	Up to US$3,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) aggregate nominal amount of Notes outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor in fulfilling their respective obligations in respect of the Notes and the Guarantee of the Notes are discussed under the section "*Risk Factors*" below.
Arrangers	ABCI Capital Limited and Agricultural Bank of China Limited Hong Kong Branch.
Dealers	ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Issuing and Paying Agent and Transfer Agent. . .	Agricultural Bank of China Limited Hong Kong Branch.
Fiscal Agent	Agricultural Bank of China Limited Hong Kong Branch.
CMU Lodging and Paying Agent and Registrar . .	Agricultural Bank of China Limited Hong Kong Branch.

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 the timing of the NDRC Post-issue Filing, if applicable), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more 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, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	Euroclear, Clearstream and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer of Notes and the relevant Dealer.
Form of Notes	Notes may be issued in bearer form or in registered form. 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 Global Note will be deposited on or around the relevant issue date with a common depositary or sub custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non US beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Global Certificates. Global Certificates representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.
Currencies.	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes.	The Notes constitute senior, direct, general, unsubordinated, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Guarantee of the Notes	The Guarantee of the Notes constitutes the direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
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.
Maturities	Any maturity as may be agreed between the Issuer, the Guarantor and the Relevant Dealers, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.
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.
Redemption for Change of Control	At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Put Settlement Date at a redemption price equal to the Early Redemption Amount (Change of Control), together with interest accrued to such Put Settlement Date, as further described in Condition 10(e) (*Redemption for change of control*) of the Terms and Conditions of the Notes.
Redemption for tax reasons	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption for tax reasons*) of the Terms and Conditions of the Notes.
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 and on redemption and will be calculated on the basis of such Day Count Fraction as specified in the relevant Pricing Supplement.

Floating Rate Notes and Index-Linked Interest Notes	Floating Rate Notes will bear interest payable in arrear and determined separately for each Series as follows: (i) 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 (ii) by reference to any benchmark as may be specified in the relevant Pricing Supplement as adjusted for any applicable margin; or (iii) on such other basis as may be agreed between the Issuer, the Guarantor and the Relevant Dealer. Interest periods will be specified in the relevant Pricing Supplement. Index-Linked Notes will bear interest for each interest period at a rate which will be determined in the manner specified in the relevant Pricing Supplement.
Benchmark Replacement	Fallback provisions might be specified in the relevant Pricing Supplement together with relevant risk factors, in case of the discontinuation of LIBOR or any other benchmarks, or changes in the manner of administration of any benchmarks.
Zero Coupon Notes	Zero Coupon Notes (as defined in the Terms and Conditions of the 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 and the Relevant Dealer may agree and as may be specified in the relevant Pricing Supplement.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Events of Default	The Notes will contain certain events of default provisions, including a cross-default provision as further described in Condition 14 (*Events of Default*) of the Terms and Conditions of the Notes.

Withholding Tax	All payments of principal and interest in respect of Notes and the Guarantee of the Notes will be made free and clear of withholding taxes of the British Virgin Islands, the PRC or Hong Kong, as the case may be, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 13 (*Taxation*) of the Terms and Conditions of the Notes) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding been required.
Listing and Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Notes may be issued 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. 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). Separate application will be made for the listing of the Notes 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.
Governing Law	English law.
Ratings	The Programme is expected to be assigned ratings of "A2" 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 credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension and withdrawal at any time by the relevant rating organisation.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Netherlands, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, see "*Subscription and Sale*" below.

Initial Delivery of Notes .	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear and/or Clearstream or, (b) in the case of a Tranche intended to be cleared through the CMU, operated by the HKMA, with a sub-custodian for the CMU or (c) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU or delivered outside a clearing system, as agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. 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 a nominee or a sub custodian for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 31 December 2020, which have been audited by PricewaterhouseCoopers, its independent auditor, and included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with HKFRS. In preparing the audited consolidated financial statements as at and for the year ended 31 December 2019, the Company has adopted the new accounting standards as and when they came into effect and has not restated the prior years' financial statements as permitted under the HKFRS.

In 2019, the Guarantor considered that the separate disclosure of interest income from the revenue from brokerage, corporate finance, investment, asset management and property investment on the face of consolidated statement of comprehensive income would better enhance the presentation of information and the usefulness to the users of the consolidated financial statements. Accordingly, certain comparative information for the year ended 31 December 2018 have been re-presented in the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 to conform with the new presentation of the Guarantor's audited consolidated financial statements for the year ended 31 December 2019. The Guarantor's consolidated financial information as at and for the year ended 31 December 2018 included in the Offering Circular has been derived from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019. Please refer to Note 5 to the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 for more details.

Further, in 2020, the Guarantor has re-considered the form of presentation of account and trade receivables on the face of consolidated statement of financial position, and considered that the combined disclosure of incorporating accrued fee income under account and trade receivables on the face of consolidated statement of financial position would better reflect the underlying nature and allow a more understandable presentation of the Group's financial position. Accordingly, certain comparative information as at and for the year ended 31 December 2019 have been re-presented in the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 to conform with the new presentation of the Guarantor's audited consolidated financial statements for the year ended 31 December 2020. The Guarantor's consolidated financial information as at and for the year ended 31 December 2019 included in the Offering Circular has been derived from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020. Please refer to Note 19 to the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 for more details. The comparative figures as at and for the year ended 31 December 2018 have not been re-presented to conform with the new presentation and accordingly may not be comparable to the summary consolidated financial information as at and for the years ended 31 December 2019 and 2020. Investors must therefore exercise caution when considering the consolidated financial information of the Guarantor contained herein to evaluate the Guarantor's financial condition. The summary consolidated financial statements as set forth below should be read in conjunction with, and are qualified in their entirety by reference to, the relevant consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

	Year ended 31 December		
	2018	**2019**	**2020**
		HK$	
Revenue from brokerage, corporate finance, investment, asset management and property investment[1]	1,373,165,461	1,647,549,873	1,502,859,716
Interest income[1]	954,996,975	797,457,204	830,998,317
	2,328,162,436	2,445,007,077	2,333,858,033
Revenue from insurance business			
Gross insurance premiums written	259,349,033	244,234,113	256,470,005
Reinsurance premiums ceded	(229,288,836)	(200,593,900)	(218,666,504)
Change in net unearned premiums	(3,555,944)	(503,640)	485,339
Net insurance premium income	26,504,253	44,143,853	38,288,840
Reinsurance commission income	95,613,223	79,953,319	83,220,623
Insurance brokerage income	5,791,115	6,099,203	6,802,543
	127,908,591	130,196,375	128,312,006
Total revenue	2,456,071,027	2,575,203,452	2,462,170,039
Other income	131,742,318	95,069,315	76,094,797
Other gains and losses	(203,127,853)	943,767,274	625,228,912
Total operating income	2,384,685,492	3,614,040,041	3,163,493,748
Net claims incurred	(10,240,844)	(36,736,655)	(28,318,663)
Insurance commission expenses	(86,213,699)	(80,565,882)	(85,338,832)
Staff costs	(343,472,104)	(333,263,008)	(365,338,144)
Impairment reversal/(charges)			
– financial assets at fair value through other comprehensive income	15,645,126	(2,093,108)	(7,994,359)
– financial assets at amortised cost	(252,513,943)	(386,709,940)	(308,119,439)
– accrued fee income[2]	(719,655)	–	–
– account and trade receivables[2]	(5,940,945)	12,715,932	69,032
– other receivables and deposits	(3,075,413)	(22,782,512)	(82,637,554)
Other operating expenses	(151,244,550)	(136,713,636)	(300,151,885)
Total operating expenses	(837,776,027)	(986,148,809)	(1,177,829,844)
Operating profit	1,546,909,465	2,627,891,232	1,985,663,904
Finance costs	(1,080,554,474)	(1,045,203,600)	(905,031,366)
Profit before income tax	466,354,991	1,582,687,632	1,080,632,538
Income tax expense	(201,472,403)	(208,763,660)	(303,119,278)
Profit for the year	264,882,588	1,373,923,972	777,513,260

	Year ended 31 December		
	2018	2019	2020
		HK$	
Profit attributable to:			
Owners of the Company	256,412,729	1,363,344,129	773,456,562
Non-controlling interests	8,469,859	10,579,843	4,056,698
	264,882,588	1,373,923,972	777,513,260
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax	(13,303,992)	15,898,003	43,540,645
Gains/(losses) on cash flow hedges	(33,067,101)	(25,047,106)	25,430,516
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–
Exchange reserve movement	(147,686,331)	(77,738,840)	240,621,018
	(194,057,424)	(86,887,943)	309,592,179
Items that will not be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax	(20,842,823)	8,214,786	248,455,719
Other comprehensive (loss)/income for the year	(214,900,247)	(78,673,157)	558,047,898
Total comprehensive income for the year	49,982,341	1,295,250,815	1,335,561,158
Total comprehensive income attributable to:			
Owners of the Company	43,633,152	1,286,659,834	1,329,979,638
Non-controlling interests	6,349,189	8,590,981	5,581,520
	49,982,341	1,295,250,815	1,335,561,158

Notes:

(1) In 2019, the Group considered that the separate disclosure of interest income from the revenue from brokerage, corporate finance, investment, asset management and property investment in the consolidated statements of comprehensive income would better enhance the presentation of information and the usefulness to the users of the consolidated financial statements. The comparative figures in 2018 have hence been re-presented to conform with the new presentation.

(2) In 2020, the Group has re-considered the form of presentation of account and trade receivables on the face of consolidated statement of financial position, and considered that the combined disclosure of incorporating accrued fee income under account and trade receivables on the face of consolidated statement of financial position would better reflect the underlying nature and allow a more understandable presentation of the Group's financial position. The comparative figures as at and for the year ended 31 December 2019 have hence been re-presented to conform with the new presentation. The comparative figures as at and for the year ended 31 December 2018 have not been re-presented to conform with the new presentation and accordingly may not be comparable to the summary consolidated financial information as at and for the years ended 31 December 2019 and 2020. Investors must therefore exercise caution when considering the consolidated financial information of the Guarantor contained herein to evaluate the Guarantor's financial condition.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018, 2019 AND 2020

	As at 31 December		
	2018	2019	2020
		HK$	
Assets			
Property and equipment	69,953,646	70,701,810	75,546,387
Right of use assets	–	93,593,906	123,634,797
Investment properties	309,569,179	305,682,029	301,794,879
Deferred tax assets	133,135,567	185,098,943	195,490,304
Financial assets at fair value through other comprehensive income	1,441,185,558	1,728,736,326	6,191,827,691
Reinsurance assets	358,879,290	329,866,736	364,116,440
Statutory deposits	3,350,319	3,477,465	6,685,178
Financial assets at amortised cost	9,315,667,959	8,153,723,802	5,786,887,753
Amount due from certain branches of the immediate holding company	232,128,262	233,533,656	224,534,122
Financial assets at fair value through profit or loss	21,598,262,947	20,529,977,664	19,519,223,304
Account and trade receivables[(1)]	3,167,145,433	2,231,156,772	3,753,079,135
Accrued fee income[(1)]	51,105,210	–	–
Other receivables, deposits and prepayments	176,189,381	454,162,377	202,356,732
Tax recoverable	27,262,335	2,746,806	7,283,231
Financial assets held under resale agreements	16,980,142	283,998,422	514,234,114
Deposits with brokers	43,795	2,903,497	160,218,189
Fixed deposits	90,764,407	145,124,980	129,677,467
Bank balances and cash			
– general accounts	5,087,694,778	3,624,352,829	3,379,466,474
– restricted bank deposits	91,303,360	–	–
– segregated accounts	1,112,489,594	766,326,107	1,780,769,054
– cash in hand	44,165	42,108	–
Total assets	43,283,155,327	39,145,206,235	42,716,825,251
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	4,113,392,450	4,113,392,450	4,113,392,450
Retained earnings	3,377,018,164	4,707,715,165	5,471,728,418
Revaluation reserve	(115,682,099)	(92,355,444)	225,071,436
Exchange reserve	(243,709,357)	(343,720,307)	(105,699,785)
Merger reserve	(317,492,450)	(317,492,450)	(317,492,450)
Statutory reserve	64,625,780	97,272,908	107,791,891
	6,878,152,488	8,164,812,322	9,494,791,960
Non-controlling interests	147,844,710	70,785,266	93,504,695
Total equity	7,025,997,198	8,235,597,588	9,588,296,655

	As at 31 December		
	2018	2019	2020
		HK$	
Liabilities			
Trade payables	1,441,639,337	1,002,017,355	1,900,617,620
Other payables and accruals	734,034,149	909,304,421	845,027,196
Financial liabilities at fair value through profit or loss	–	364,408,753	–
Contract liabilities	4,946,195	16,172,039	23,065,580
Net assets attributable to the non-controlling interest of an investment funds	35,818,152	43,401,384	43,985,955
Amounts due to a fellow subsidiary	57,064,597	55,817,300	59,407,823
Amount due to a branch of the immediate holding company	55,849,662	32,254,165	–
Financial assets sold under repurchase agreements	228,258,400	334,903,800	–
Derivative financial instruments	33,067,101	58,114,207	32,683,691
Borrowings	15,637,922,294	13,868,561,354	9,378,576,232
Lease liabilities	–	91,566,318	122,609,280
Unearned premiums	88,595,778	81,165,728	85,981,806
Outstanding claims	322,699,118	322,223,353	361,632,895
Provision for unexpired risk	828,000	1,267,000	2,839,000
Tax liabilities	110,926,782	232,565,372	144,843,213
Deferred tax liabilities	104,408,611	84,284,291	146,889,535
Notes issued	17,401,099,953	13,411,581,807	19,980,368,770
Total liabilities	36,257,158,129	30,909,608,647	33,128,528,596
Total equity and liabilities	43,283,155,327	39,145,206,235	42,716,825,251

Note:

(1) In 2020, the Group has re-considered the form of presentation of account and trade receivables on the face of consolidated statement of financial position, and considered that the combined disclosure of incorporating accrued fee income under account and trade receivables on the face of consolidated statement of financial position would better reflect the underlying nature and allow a more understandable presentation of the Group's financial position. The comparative figures as at and for the year ended 31 December 2019 have hence been re-presented to conform with the new presentation. The comparative figures as at and for the year ended 31 December 2018 have not been re-presented to conform with the new presentation and accordingly may not be comparable to the summary consolidated financial information as at and for the years ended 31 December 2019 and 2020. Investors must therefore exercise caution when considering the consolidated financial information of the Guarantor contained herein to evaluate the Guarantor's financial condition.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

	As at 31 December		
	2018	**2019**	**2020**
		HK$	
Net cash (outflow)/inflow from operating activities	(1,905,972,005)	652,339,756	(2,478,348,177)
Net cash (outflow)/inflow from investing activities	(1,174,607,587)	3,320,134,635	1,140,128,558
Net cash (outflow)/inflow from financing activities	5,921,062,841	(5,401,285,399)	1,061,871,039
Net (decrease)/increase in cash and cash equivalents	2,840,483,249	(1,428,811,008)	(276,348,580)
Cash and cash equivalents at the beginning of the year	2,326,151,919	5,087,738,943	3,624,394,937
Exchange gain/(loss) on cash and cash equivalents	(78,896,225)	(34,532,998)	31,420,117
Cash and cash equivalents as at the end of the year	5,087,738,943	3,624,394,937	3,379,466,474
Analysis of the balances of cash and cash equivalents			
Bank balances			
– general accounts	5,087,694,778	3,624,352,829	3,379,466,474
– cash in hand	44,165	42,108	–
	5,087,738,943	3,624,394,937	3,379,466,474

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The Group's business, financial condition or results of operations could be materially adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Notes. Additional considerations and uncertainties not presently known to the Group or which the Group currently deem immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Notes are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Notes, but its inability to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and it does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESSES

The Group is a wholly-owned subsidiary of the ABC Group and the Group's businesses strategies and systems rely on the support from, and its relationships with, the ABC Group.

A significant proportion of the Group's business opportunities originate from the global network and financial support of the ABC Group, including capital injections, intra-group lending and guarantees (see "*Description of the Group – Competitive Strengths – Strong support from the ABC Group*"). Whilst the Group conducts business with a variety of clients across different 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 ABC Group, and marketing alongside and collaborating with the ABC Group. Furthermore, as of the date of this Offering Circular, the ABC Group places particular focus on the Group in the ABC Group's overall growth strategy, including integrating the Group in the ABC Group's development plans and allowing the Group to cooperate with the ABC Group in the expansion of its various businesses, client relationships and investment opportunities. In the event that the ABC Group places less emphasis on the Group or changes its strategy, 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, as the Group reports to the ABC Group for approvals in relation to its annual investment strategies and formulates its various risk management measures and internal systems based on the ABC Group's policies, the ABC Group has significant influence and control over the systems, operations, governance and strategy of the Group. This may restrict or delay the Group's individual business management or strategy which may adversely affect its financial performance and operation. The ABC Group is also responsible for the appointment and removal of the board of directors of the Group. The ABC 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 ABC Group. In addition, as the Group shares a risk management and internal system with the ABC Group, any failure of those systems may in turn have a material and adverse impact on the Group's own internal systems.

The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by macroeconomic and political risks.

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. Any sudden downturn or sudden change in the global, regional or local economic, political, social, legal environment or government policies (for instance, the withdrawal of the United Kingdom from European Union's membership (the "**Brexit**"), the ongoing trade war between China and the U.S. and any political turmoil or civil disobedience movements in Hong Kong) which are beyond the Group's control, may adversely affect investor sentiments in the financial market in general. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility and consequently our business and operating performance may be materially and adversely affected. For example, the fluctuation of the US dollar against major currencies around the world, the increasing geopolitical tensions as well as the recent plunge in global oil prices all have created uncertainties in the world economy and global financial market. In Europe, the Brexit and any prolonged period of uncertainty which results, could have a significant negative impact on international markets. These could include further falls in stock exchange indices, a fall in the value of the Pound sterling, an increase in exchange rates between the Pound sterling and the Euro and/or greater volatility of markets in general due to the increased uncertainty. 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 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, adverse financial or economic conditions may also impact the Group's investment business. For example, market volatility may reduce the value of the Group's private equity investments and public market investments or make the Group's investments less liquid, and thus reduce the Group's returns from these investments and any associated capital gains. Such unfavourable market conditions may also result in price fluctuations and a decline in trading volumes, which in turn may adversely affect the Group's corporate finance business and securities and brokerage services 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 continuing slowdown of the global economy and increasing uncertainties in financial markets could adversely affect the Group's business, financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Group's customers or counterparties might default on their loan repayments or other obligations to the Group, which, in turn, could result in the Group recording a higher level of non-performing loans, allowance for impairment losses and write-offs;

- the increased regulation and supervision of the financial services industry may restrict the Group's business flexibility and increase its compliance and operating costs;

- the value of the Group's investments in debt securities issued by governments and financial institutions may significantly decrease;

- the Group's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flow may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Group's business prospects.

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 and underwriting, investment management, asset management businesses and securities and brokerage could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business, in particular, its investment management business and asset management business, are subject to credit, investment and market risks.

The Group's business, and in particular, its investment management business and asset management business, are subject to credit, investment and market risks. For example, the Group's public market investments (which focus on publicly listed equity and debt securities investments) are exposed to fluctuations in the stock and bond markets and therefore subject to market risks. Similarly, the Group is exposed to credit risk via its debt financing business, such as private placement, M&A loans and mezzanine and bridge loans. In addition, the Group's business is subject to investment risks. For example, where assets held by the Group under its investing business devalue significantly and the Group considers that the devaluation is not temporary, significant impairment losses may be recognised and may have a material adverse impact on the Group's results of operations. 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. In the event of a severe downturn in the economy, the asset quality of the Group's portfolio may further deteriorate materially. Likewise, the Group's asset management business is also subject to investment risk. Any deterioration in the value of the Group's assets under management may reduce the management and performance fees earned by the Group.

The expansion of, and changes to, the Group's product and service range exposes it to various risks, and the Group may not succeed in the implementation of a new product group or customer acquisition channel, under new pricing or credit assessment methods or analytical tools and data.

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 or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. The Group is also intending to seek out business opportunities in new markets including Europe and the United States. Expansion of and changes to the product and service range and the geographical exposure of the Group introduce a number of risks and challenges, including the following:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;

- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;

- the new products and services may give rise to potential disputes or claims from customers;

- the Group will be exposed to the legal and regulatory regimes of new jurisdictions with which the Group may be less familiar as well as fluctuations in the macroeconomic conditions of new economies;

- the Group may need to adapt to different cultural and social customs associated with conducting business in other markets;

- the Group may need to hire additional qualified personnel but such personnel may not be readily available; and

- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

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.

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 the Group operates 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.

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 of 31 December 2019, 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 704. There were 1,430, 1,602 and 1,808 corporations licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) 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**").

The Group, through its subsidiaries which are licensed corporations in Hong Kong, is currently engaged in Type 1, Type 4, Type 6 and Type 9 regulated activities. The industry has a low entry barrier as new participants are able to enter so 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. Apart from large multinational financial institutions such as banks and investment banks with a global network and presence in the PRC and Hong Kong, the Group also faces competition from

small and medium-sized local financial services firms in relation to pricing, range of services offering and market reputation. The Group may have to compete against competitors who may have larger client bases, greater brand recognition in the market, more human and financial resources, ability to offer a wider range of services, more established networks and business relationships and/or longer operating histories than the Group. Some firms may also have resources to expand their operational scale, market share as well as geographical coverage through mergers and acquisitions.

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 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 revenues. 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 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 our market share (as our clients are not bound to use our services and can freely switch to other service providers and/or decrease their use of our 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 may be exposed to concentration risk.

The Group's key market is geographically in Hong Kong and the mainland China region, where the Group is primarily based. For example, some of the Group's key target clients are state-owned enterprises and financial institutions with local Hong Kong and mainland Chinese connections. Accordingly, any general deterioration in the economic conditions in Hong Kong and mainland China could adversely affect the Group's financial condition and results of operations. Similarly, a significant portion of the Group's portfolio in its investing business is concentrated on certain specific industries, including real estate, financial institutions, technology, health 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, Euro 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 their 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 their 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 and impact 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's revenue is adversely affected by reductions in its assets under management caused by market declines.

The Group's revenue from its asset management business includes management fees and performance fees, which are based on the specific nature of the investment and client, including liquidity, size, investment period and asset class. Consequently, investment performance and the relevant fund manager's track record affect the amount of the assets under the Group's management and are key 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:

- where applicable, 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 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;

- the Group's performance fees (if any), which are based on investment returns, would decline; and

- poor performance will adversely impact the future fundraising capability of the Group.

There can be no assurance that the Group would 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 Group faces risks associated with the underwriting or placement of securities offerings.

The Group is exposed to transaction-specific execution risks for each securities offering it may underwrite or place. The Group generally receives payment of underwriting or placement commissions only after it has successfully completed a transaction. If a project is not completed as scheduled or at all for any reason, including weak investor interest, market fluctuation and/or a failure to receive the relevant listing or regulatory approval, the Group may not receive payment for its 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 its business to what can be volatile markets and regulatory changes, revenue from its business may 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, as revenues are dependent on successful transaction execution.

The Group has investment risk on equity it underwrites or places on a firm commitment basis and may suffer additional losses as a member of an underwriting syndicate or placing syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions when the equity underwritten by the Group is undersubscribed and the Group and other underwriters/sub-underwriters are required to take up unsubscribed equity. If the Group fails to sell the equity it underwrites, it would suffer reputational damage, as well as incur expenditures to purchase and hold the underwritten equity, thereby materially and adversely affecting its business, financial condition, results of operations and prospects. In relation to bond transactions, the Guarantor will from time to time act as the counterparty to both issuers and investors of the bonds. If any participant in the bond settlement process fails and the settlement is not completed, the Guarantor may end up holding the relevant bonds, causing both reputational damage and possible financial loss. Although the majority of bond investors are institutional investors and the possibility of such risk remains low, such risk cannot be discounted entirely and failures in the bond settlement process will have adverse consequences to the Guarantor.

In addition, companies that seek to list on the Hong Kong Stock Exchange require an investment bank to act as sponsor to assist with their listing application. When the Group acts as a sponsor or underwriter, it is required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors or underwrites and is subject to civil and criminal liability in relation to its role as sponsor or underwriter and the disclosure provided to investors if any relevant or applicable regulations are breached.

Furthermore, the SFC published the "Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers" (Appendix I to the "*Fit and Proper Guidelines*") in October 2013 to enhance the regulatory regime of sponsors in Hong Kong, which has resulted in more stringent regulatory requirements and 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.

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 securities and brokerage business depends significantly on trading volume. Trading volume is influenced by market conditions in Hong Kong, the PRC and principal overseas financial markets, which may be adversely affected by events including the European debt crisis, the potential withdrawal of countries from the Eurozone and the significant volatility in the PRC stock market. In addition, the Group's securities and brokerage 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. Additionally, any planned expansion by the securities and brokerage business into other product areas such as innovative financial products may not be successful and the Group's position in this industry may be adversely affected. There can be no assurance that the Group's revenue derived from the securities and brokerage business can be sustained.

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 Group's 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 Guarantor's shares are unlisted and it is not subject to the continuous disclosure requirements that a listed company would be.

The Guarantor is currently not listed on any stock exchange and is not subject to requirements to produce and maintain public information relating to its business or to publicly publish financial information or other information that would be required if it did have an equity listing in Hong Kong or elsewhere. Whilst requirements will be imposed on 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 the Programme, these requirements are not as stringent as those which would apply to a primary or secondary equity listing. The Guarantor is also not subject to, and will not become subject to, by virtue of issuing listed Notes under the 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 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 businesses are highly regulated in Hong Kong 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. 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 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 applicable to the Group's businesses or those of its clients could be imposed, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

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 advisory 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 risks associated with the underwriting or placement of securities offerings.*"

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. Similarly, the withdrawal of either a licence or an approval of one or more individuals would hinder their ability to perform their current role. This is particularly relevant to the Group's asset management business in Hong Kong and the PRC where registration and licensing requirements are subject to legislation and any amendments thereto from time to time. The carrying on of regulated activities by unauthorised persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.

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. The Group is also subject to the requirements and standards set out by the various professional industry bodies of which it is a member including the Asset Management Association of China(中國證券投資基金業協會). Compliance with the requirements of such self-regulating professional industry bodies may further increase the compliance costs of the Group.

If the Group fails to comply with such rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines 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.

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 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 ABCI Capital Limited (as Arranger and Dealer for the Programme), and the Guarantor's other activities may affect the value of the Notes.

The Issuer of the Notes is a wholly-owned subsidiary of the Guarantor, which, in turn, is a wholly owned subsidiary of the ABC Group. ABCI Capital Limited has been appointed as Arranger and Dealer for the Programme. Any of the Guarantor, the ABC Group or their respective subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Guarantor on the one hand, and ABCI Capital Limited (as Arranger and Dealer for the Programme) on the other hand, in connection with the Notes and 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 owes no duty to investors to avoid such conflicts.

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 ABC 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, 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. These systems may also be subject to computer viruses, physical or electronic break-ins, threats, sabotage, vandalism and similar misconduct. The same is true of third party service providers and software providers on which the Group depend.

The Group routinely transmits and receives personal, 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 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.

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 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 the novel coronavirus pneumonia ("**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 will significantly disrupt 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. In

addition, the PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to business and consumers to combat the challenges arising from the COVID-19 pandemic.

There is no assurance that the outbreak will not lead to decreased demand for services the Group provides; nor is there assurance that the outbreak's adverse impact on the PRC economy and the Group's customers will not adversely affect the level of non-performing loans. If the Group is not able to control or reduce the level of non-performing loans, the overall quality of the Group's assets may deteriorate which may materially and adversely affect the Group's business, financial condition and results of operations. The outbreak may also adversely affect the Group's ability to keep normal operations and provide uninterrupted services to its customers. Moreover, the PRC has experienced natural disasters such as earthquakes, floods, landslides, rainstorms, hail and droughts in the past. Any future occurrence of severe natural disasters in the PRC may adversely affect the national economy and in turn the Group's results of operations, financial condition and business. There can be no assurance that any future occurrence of natural disasters or outbreaks of the novel coronavirus COVID-19, avian influenza, severe acute respiratory syndrome, swine influenza or other contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, would not seriously disrupt the operations and business of the Group. In the event of such disruption, the Group's results of operations, financial condition and profitability may be 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 COVID-19 pandemic has had a negative impact on worldwide economic activity and could affect the Issuer's business, financial condition or results of operations.

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The 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 have disrupted and are very likely to continue to disrupt 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. In addition, the PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to businesses and consumers to combat the challenges arising from the COVID-19 pandemic. The Issuer coordinated with the regulators in launching various relief measures for individuals and commercial borrowers, in order to alleviate the financial pressures and the impact of the pandemic. In addition, the Issuer conducted risk-based assessments on the affected borrowers to identify the vulnerable borrowers, who are put onto the watchlist for on-going close monitoring, resulting in rating downgrade and additional impairment allowances to withstand the uncertainty of future economic conditions.

While governments across the globe continue to take stringent measures to prevent any potential resurgence of new COVID-19 cases, since the second quarter of 2020, many restrictions in the Mainland have been lifted and the level of business activities have been restoring in response to the significant decrease of new reported cases. As a result, the Chinese economy has been recovering rapidly. In

addition, vaccinations are gradually expected to become more widely available worldwide. However, the above-mentioned prevention and control measures may continue globally in the near or longer term. As a result, the impact of the COVID-19 pandemic on the Issuer's business going forward will depend on a range of factors which it is not able to accurately predict, including the duration and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity and the nature and severity of measures adopted by governments.

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. However, any future operational failure or termination of the services of the particular financial intermediaries 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, anti-terrorism 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 "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Group has adopted policies and procedures 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 policies and procedures may not completely eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. 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.

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 investment consultants and 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 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.

Damage to reputation or brand, including as a result of negative publicity with respect to the ABC Group and other companies affiliated with the ABC Group, may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

Brand or reputation can be negatively impacted by a large number of events both within and beyond the Group's control, including failure in information technology or data breach, an adverse claim being made against a member of the ABC Group, whether successful or not, and including frivolous and vexatious claims, perceived deteriorations in financial strength, regulatory sanctions or incidents of fraud. If its reputation or brand is damaged, the Group could lose existing customers and find it difficult to cultivate new business. Each of these may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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 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 ABC 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 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.

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.

Furthermore, under the COVID-19 pandemic, many countries, including the PRC where the Issuer operates, have implemented different kinds of measures, including but not limited to travel bans and closure of borders, to help contain the spread of the virus, which could restrict the level of business activities in the affected areas, and may in turn adversely affect the Issuer's business, operations and financial condition.

There can be no assurance that the Issuer's continued exposure to the PRC or its strategy to grow its business in these markets will not have an adverse effect on its business, financial condition or results of operations, or that the economic, monetary and political environment in these markets will remain favourable to its business in the future.

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 Hong Kong courts. However, certain companies in the Group are incorporated in the PRC and a substantial amount of the Group's assets and companies are located in the PRC. Further, some of the Group's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside 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.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned(關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排)(the "**Arrangement**"), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong(關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the "**New Arrangement**"), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enters into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

Unlike other notes issued in the international capital markets where holders of such notes would typically not be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated 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. 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 are intended to regulate the internal affairs of these companies. These regulations, and in particular, the provisions for protection of shareholders' rights and access to information, are less developed than those applicable to companies incorporated 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 ISSUED UNDER THE PROGRAMME AND THE GUARANTEE OF THE NOTES

The Issuer has no material assets and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Notes.

The Issuer will not conduct any business or any activities other than the establishment and maintenance of the note programmes, the offering, sale or issuance of bonds, notes or other securities thereunder, the lending of the proceeds thereof to the Guarantor and/or any of its subsidiaries, the maintenance of its corporate existence and any other activities reasonably incidental thereto as necessary in connection therewith. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

The ability of the Guarantor to make payments to the Issuer is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Guarantor derives part of its revenue from its subsidiaries. The Guarantor thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations.

As a result, any claim by the Issuer against the Guarantor will be effectively subordinated to existing and future claims of the secured creditors of the Guarantor and, in the case of payment by the Guarantor to the Issuer in the form of capital increases, also to the claims of the other creditors of the Guarantor. The Issuer's claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Guarantor's subsidiaries (other than the Issuer), from which the Guarantor derives a portion, though not a majority, of its revenue. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of the Guarantor or any of the Guarantor's subsidiaries (other than the Issuer), the creditors of the Guarantor or the creditors of the Guarantor's subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Guarantor or to the Issuer.

The ratings of the Notes may be downgraded or withdrawn.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuer and, the Guarantor to perform their respective obligations under the Notes and the Guarantee of the Notes, 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 securities. The rating can be lowered or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the relevant Tranche of Notes.

Any downgrading of the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and 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 Fitch 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 capital markets may also be limited, thereby lowering its liquidity.

The Guarantor may be unable to make payments on the Guarantee and the Guarantee is structurally subordinated to other obligations of the Guarantor's subsidiaries.

The Guarantor is a holding company with limited operations of its own and its ability to make payments under the Guarantee and to make payments to the Issuer under any loan arrangement to fund payments on the Notes depends upon the receipt of dividends, distributions, interest, loan repayments or advances from its wholly-owned or partly owned subsidiaries, associated companies and jointly controlled entities. The ability of the subsidiaries, jointly controlled entities and associated companies of the Guarantor to pay dividends is subject to their performance and cash flow requirements and may be subject to applicable laws and regulations. The outstanding indebtedness of subsidiaries of the Guarantor may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries, jointly controlled entities and associated companies could be reduced in the future.

As the Guarantor is a holding company, payments under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries and associated companies, except for those liabilities and obligations of the Issuer. Claims of creditors of such subsidiaries and associated companies will have priority as to the assets of such subsidiaries and associated companies over the Guarantor and its creditors, including holders of the Notes seeking to enforce the Guarantee. The Guarantor's obligations under the Guarantee will not be guaranteed by any of its subsidiaries or associated companies. The Notes do not contain any restrictions on the ability of the Guarantor's subsidiaries or associated companies to incur additional unsecured indebtedness.

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, 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 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 assess 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.

The Issuer may be unable to redeem the Notes.

On certain dates, including the occurrence of a Change of Control, any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on 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. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

The Notes do not restrict the Group's ability to incur additional debt or to take other actions that could negatively impact holders of the Notes.

Subject to Condition 5(a) (*Negative Pledge*), the Group is not restricted under the Conditions from incurring additional debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Group to achieve or maintain any minimum financial results relating to the Group's financial position or results of operations. The Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Conditions could diminish the Group's ability to make payments on the Notes when due.

The Issuer and the Guarantor will follow the applicable corporate disclosure standards for debt securities listed on the HKSE, which standards may be different from those applicable to companies in certain other countries.

The Issuer and the Guarantor will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to the level that Noteholders are accustomed to.

The liquidity and price of the Notes to be issued under the Programme may be volatile.

The price and trading volume of the Notes to be issued under the Programme may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to be issued under the Programme to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes to be issued under the Programme. There is no assurance that these developments will not occur in the future.

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

There is no existing market for any Notes and there can be no assurances that a secondary market for the Notes will develop, or if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of any Notes may fluctuate. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Bank's performance and the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, any Notes and an investor in such Notes must be prepared to hold such Notes for an indefinite period of time or until their maturity. Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for the listing and quotation of any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Hong Kong Stock Exchange. Such permission will be granted when such Notes have been admitted to the Hong Kong Stock Exchange. Historically, the market for debt securities has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for any Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of such Notes.

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. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

Modifications and waivers.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Agents may, without the consent of Noteholders agree to (i) any modification of any of the provisions of the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Agency Agreement) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement, that is in the opinion of the parties to the Agency Agreement, not materially prejudicial to the interests of the Noteholders.

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

The Conditions 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 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 or Global Certificates. 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 and the 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 Systems.

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 Systems 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 CMU Rules. 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 and the Global Certificates.

Holders of beneficial interests in the Global Notes and the 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.

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

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

Interest payments and gains on the transfer of the Notes may become subject to income taxes and/or value-added tax under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes" and are therefore subject to PRC enterprise income tax ("**EIT**") at the rate of 25% in respect of their income sourced from both within and outside PRC. The Implementing Regulation defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. There is no assurance that the Issuer will not be treated as a "resident enterprise" under the EIT Law in the future. If the Issuer is treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, it would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide taxable income. Furthermore, if the Issuer is treated as a PRC resident enterprise, payments of interest by the Issuer may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10% on payments of interest on the Notes to non-PRC resident enterprise investors. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20%. In addition, any gain realised on the transfer of the Notes by non-PRC resident enterprise or individual Noteholders may be subject to PRC enterprise income tax or PRC individual income tax ("**IIT**") if such gain is income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of the Notes by non-PRC resident enterprise or individual Noteholders would be treated as income derived from sources within the PRC and subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to the PRC EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of the Notes (subject to the stipulations under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules thereof, such EIT is currently levied at the rate of 10% of gains realised and such IIT is currently levied at the rate of 20% of gains realised (with deduction of reasonable expenses), unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of the Notes are tax resident that reduces or exempts the relevant EIT or IIT), the value of their investment in the Notes may be materially and adversely affected.

On 23 March 2016, the Ministry of Commerce of the People's Republic of China and State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the 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. It is further clarified under Circular 36 that the 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 the Notes may be treated as the Noteholders providing the loans to the Issuer, which thus may be regarded as the 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 or the Guarantor makes any payments under the Guarantee to the Noteholders, the Noteholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer or such payment by the Guarantor to any non-resident Noteholders may be subject to withholding of VAT and related local levies at the rate of 6.72%. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes or is subject to VAT, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected. See also "*Risks relating to Renminbi Denominated Notes – Gains on the transfer of the Renminbi Instruments may become subject to income taxes under PRC tax laws*".

If the Issuer and/or the Guarantor is required to withhold PRC tax (including VAT) from interest payments on the Notes or the Guarantee, the Issuer and the Guarantor will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. In certain circumstances, the Issuer and/or the Guarantor may have the option to redeem the Notes prior to their maturity upon the requirement to pay such additional amounts arising, and a Noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes. In addition, the requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on the Group's financial condition.

As at the date of this Offering Circular, the Issuer and Guarantor confirm that they have not been treated as a PRC resident enterprise by the PRC tax authorities. As a result, it is expected that, in practice it will not be required to withhold VAT or local levies from interest payments to Noteholders.

However, there is no assurance that the Issuer and Guarantor will not be treated as a PRC tax resident enterprise by the PRC tax authorities in future. Pursuant to the EIT, Individual Income Tax Law of the PRC, and the VAT reform detailed above, the Issuer may need to withhold EIT or individual income tax (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholders and the Issuer may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC.

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 debts 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 debts could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debts, 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 debts 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 of 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.

There may be potential tax implications on the Notes if the Issuer or the Guarantor is affected by FIRO or other statutory bail-in regimes.

In the event that Notes may be or become subject to a statutory bail-in regime under the laws of any jurisdiction (other than any part of the United Kingdom), HM Revenue & Customs may regard such Notes as not being exempt loan capital and any instrument transferring Notes on sale could be subject to stamp duty. Persons considering purchasing the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes.

The insolvency laws of British Virgin Islands and 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 is incorporated under the laws of British Virgin Islands and the Guarantor is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the British Virgin Islands or Hong Kong, as applicable, 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.

RISKS RELATING TO A PARTICULAR ISSUE OF NOTES

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.

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

The Notes may be redeemed at the option of the Issuer pursuant to Condition 10(b) and Condition 10(c) of the Terms and Conditions of the Notes. 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 those 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.

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:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) 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.

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 the London Interbank Offered Rate. 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/Floating Rate 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/Floating 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 do prices for conventional interest bearing securities.

The market values of securities 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 securities, 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 Notes or variable redemption amount Notes, the investor may lose the value of its entire investment or part of it.

Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future – including the potential phasing-out of LIBOR after 2021.

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation and UK Benchmarks Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in

the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. It then confirmed on 5 March 2021 that most LIBOR benchmark tenors would cease or cease to be representative benchmarks from 31 December 2021 or (in the case of certain tenors of USD LIBOR only) from 30 June 2023. On 5 March 2021, the administrator for LIBOR (the ICE Benchmark Administration or IBA) similarly announced that it would cease the publication of the relevant LIBOR settings on 31 December 2021 or 30 June 2023, unless the FCA exercises its proposed new powers (which are included in the current UK Financial Services Bill as proposed amendments to the UK Benchmarks Regulation) to require the IBA to continue publishing such LIBOR settings using a changed methodology (also known as a "synthetic" basis). Such announcements indicate that LIBOR will not continue in its current form and the UK Financial Conduct Authority announcement of 5 March 2021 indicated that it is currently contemplating that any "synthetic" basis, if adopted, would be limited to a small number of currencies and settings. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(k) (*Benchmark Replacement*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, unlawful or unrepresentative, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular interest period may result in the rate of interest for the last preceding interest period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Conditions). In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Advisor (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to the Secured Overnight Financing Rate ("**SOFR**") as a reference rate in the capital markets and its adoption as an alternative to U.S. Dollar LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SOFR, including term SOFR reference rates (which seek to measure the market's forward expectation of an average SOFR rate over a designated term). The continued development of Compounded Daily SOFR rates as an interest reference rate for the Eurobond markets, as well as continued development of SOFR based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of Compounded Daily SOFR as a reference rate for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing Compounded Daily SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Terms and Conditions of the Notes, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SOFR that differ materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SOFR.

SOFR differs from LIBOR in a number of material respects and has a limited history.

Compounded Daily SOFR differs from LIBOR in a number of material respects, including that Compounded Daily SOFR is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SOFR may behave materially differently as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to LIBOR which is an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Publication of SOFR began in April 2018 and it therefore has a limited history. The future performance of SOFR may therefore be difficult to predict based on the limited historical performance. The level of SOFR during the term of the Notes may bear little or no relation to the historical level of SOFR. Prior observed patterns, if any, in the behaviour of market variables and their relation to SOFR such as correlations, may change in the future.

Furthermore, the interest rate is only capable of being determined at the end of the relevant interest period and immediately prior to the relevant interest payment date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, in contrast to LIBOR-based Notes, if the Notes become due and payable as a result of an Event of Default under Condition 14 (*Events of Default*), or are otherwise redeemed early on a date which is not an interest payment date, the final interest rate payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

The administrator of SOFR may make changes that could change the value of SOFR or discontinue SOFR.

The New York Federal Reserve (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR.

RISKS RELATED TO RENMINBI DENOMINATED NOTES

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies. However, there has been significant reduction in control by the PRC Government in recent years, particularly 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.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement 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 on a case-by-case basis 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 being developed.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the 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 out of the PRC. In the event that funds cannot be repatriated out of 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 its obligations under Notes denominated in Renminbi.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

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 and the Guarantor are required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer and the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

Investment in the Renminbi Notes is subject to interest rate risks.

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of the Renminbi Notes will be made solely for so long as the Renminbi Notes are represented by global notes or global certificates held with the common depositary for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement or for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. See also "*Risks Relating to the Notes Issued under the Programme and the Guarantee of the Notes – Interest payments and gains on the transfer of the Notes may become subject to income taxes and/or value-added tax under PRC tax laws*."

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected. PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations 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 the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

FORMS OF THE NOTES

The Notes of each Series will be issued outside the United States (and in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to non-US persons outside the United States) in reliance on Regulation S under the Securities Act.

Bearer Notes

Each Tranche of Notes in bearer form will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") and/or any other relevant clearing system, and/or a sub-custodian for the CMU.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-US beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Issuing and Paying Agent; and

(ii) receipt by the Issuing and Paying Agent of a certificate or certificates of non-US beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-US beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5:00 p.m. (Hong Kong time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5:00 p.m. (Hong Kong time) on such seventh day (in the case of (a) above) or at 5:00 p.m. (Hong Kong time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(b) at any time, if so specified in the Pricing Supplement; or

(c) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5:00 p.m. (Hong Kong time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Hong Kong time) on the date on which such Temporary Global Note becomes void (in the case of (b) above)

or at 5:00 p.m. (Hong Kong time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-US beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5:00 p.m. (Hong Kong time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Hong Kong time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

(i) Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5:00 p.m. (Hong Kong time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5: 00 p.m. (Hong Kong time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or the CMU and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or the CMU and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes (other than Temporary Bearer Global Notes), the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto where TEFRA D is specified in the applicable Pricing Supplement will bear a legend to the following effect:

"**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.**"

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Note Certificate**"), in each case as specified in the relevant Pricing Supplement. The Global Note Certificate will be sold outside the United States (and, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S, only to non-US persons outside the United States). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Global Note Certificate may not be offered or sold to, or for the account or benefit of, a US person save as otherwise provided in Condition 3 and may not be held otherwise than through Euroclear or Clearstream or the CMU and such Global Note Certificate will bear a legend regarding such restrictions on transfer.

Each Global Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5:00 p.m. (Hong Kong time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5:00 p.m. (Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Hong Kong time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

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 Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes 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 financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

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.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

(a) *Programme*: Inventive Global Investments Limited (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to US$3,500,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by ABC International Holdings Limited (the "**Guarantor**").

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Agency Agreement*: The Notes are the subject of an amended and restated issue and paying agency agreement dated 23 August 2021, as amended and/or supplemented from time to time (the "**Agency Agreement**") between the Issuer, the Guarantor and Agricultural Bank of China Limited Hong Kong Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and as CMU lodging and paying agent (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 named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such reference shall be construed accordingly.

(d) *Deed of Guarantee*: The Notes are the subject of an amended and restated deed of guarantee dated 23 August 2021 (such deed of guarantee, as modified and/or supplemented and/or restated from time to time, the "**Deed of Guarantee**") entered into by the Guarantor.

(e) *Deed of Covenant*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by an amended and restated deed of covenant dated 23 August 2021 (such deed of covenant, as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") entered into by the Issuer.

(f) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

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

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) (acting in good faith) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(c) if no such determination as provided in (b) above is made, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith) to be appropriate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to the Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable);

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) (acting in good faith) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component thereof) in respect of notes denominated in the Specified Currency and of a comparable duration to the relevant Interest Period(s), or, if the Independent Adviser or the Issuer (as applicable) determines that there is

no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate:

(a) such Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist;

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

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

(d) the making of a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions;

(e) the making of a public statement by the supervisor of the administrator of the Reference Rate that the 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

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

provided that the Benchmark Event shall be deemed to occur (i) in the case of sub-paragraphs (b) and (c) above, on the date of the cessation of publication of the Reference Rate or the discontinuation of the Reference Rate, as the case may be, (ii) in the case of sub-paragraph (d) above, on the date of the prohibition or restriction of use of the Reference Rate and (iii) in the case of sub-paragraph (e) above, on the date with effect from which the 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;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre (other than TARGET2) as specified in the relevant Pricing Supplement;

(c) if TARGET2 is specified as an Additional Business Centre in the relevant Pricing Supplement, a TARGET Settlement Day; and

(d) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**CMU**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period *divided by* the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins *divided by* the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period *divided by* the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period *divided by* 365 (or, if any portion of the 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);

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

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

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

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

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 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 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

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; and

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

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

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 (i) that day is the last day of February or (ii) 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 (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30, **provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Change of Control)**" means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantor Material Subsidiary**" means a Subsidiary of the Guarantor whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 10 per cent. or more of the consolidated assets or consolidated revenue of the Guarantor as at such date or for such period. If a Guarantor Material Subsidiary transfers all of its assets and business to another Subsidiary of the Guarantor, the transferee shall become a Guarantor Material Subsidiary and the transferor shall cease to be a Guarantor Material Subsidiary on completion of such transfer.

"**Guarantee of the Notes**" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

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

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**NDRC**" means the National Development and Reform Commission of the PRC;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (other than TARGET2); or

(c) if TARGET2 is specified as an Additional Financial Centre in the relevant Pricing Supplement, a TARGET Settlement Day;

"**Person**" includes any individual, company, state owned enterprise, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state or other entity (in each case whether or not being a separate legal entity);

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

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Change of Control), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) (i) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other similar securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans); (ii) which has an original maturity of more than 365 days, and (iii) which shall not, in each case, include any Structured Product which is not issued for capital raising purposes;

"**Relevant Nominating Body**" means, in respect of a reference rate:

(a) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(b) 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 reference rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Structured Product**" means:

(a) 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:

(i) 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;

(ii) 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

(iii) 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);

(b) a regulated investment agreement; or

(c) 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:

(a) 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 the issuer;

(b) 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 the issuer;

(c) a collective investment scheme;

(d) a depositary receipt;

(e) a debenture that would come within subparagraph (1)(a) 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);

(f) 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:

(i) a *bona fide* employee or former employee of the corporation or of a related corporation of the corporation; or

(ii) a spouse, widow, widower, minor child (natural or adopted) or minor stepchild of a person referred to in subparagraph (i);

(g) a product that may be possessed, promoted, offered, sold, printed or published only:

(i) under a licence, permission or other authorization under the Betting Duty Ordinance (Cap.108) of Hong Kong or the Gambling Ordinance (Cap.148) of Hong Kong; or

(ii) under the Government Lotteries Ordinance (Cap.334) of Hong Kong;

(h) an instrument issued in relation to:

(i) a contest authorised by section 37 of the Broadcasting Ordinance (Cap. 562) of Hong Kong; or

(ii) a contest included in a service licensed under Part 3A of the Telecommunications Ordinance (Cap 106) of Hong Kong;

(i) 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

(j) 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;

for the avoidance of doubt, "**Structured Product**" shall not include any floating rate debt securities and hybrid capital securities;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable), (acting in good faith) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes*: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes*: Subject to paragraphs (i) (Closed periods) and (j) (Regulations concerning transfers and registration) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within ten business days of the surrender of a Note Certificate in accordance with paragraph (f) (Transfers of Registered Notes) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status and Guarantee

(a) *Status of the Notes*: The Notes constitute senior, direct, general, unsubordinated, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Status of the Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor

which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Covenants

(a) *Negative Pledge*: So long as any of the Notes remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor will, and the Guarantor will procure that none of the Guarantor Material Subsidiaries will, create or permit to be outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, properties, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any of their respective Subsidiaries to secure any Relevant Indebtedness of the Issuer, the Guarantor or any such Guarantor Material Subsidiary (or any guarantees or indemnity in respect thereof) outside of the PRC, unless the Issuer or the Guarantor (as the case may be), in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under (in the case of the Issuer) the Notes and the Coupons and (in the case of the Guarantor) the Deed of Guarantee are secured by the same Security Interest equally and rateably with the Relevant Indebtedness; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement) of the Noteholders.

(b) *Limitation on the Issuer*: So long as any Note remains outstanding, the Issuer undertakes not to, and the Guarantor undertakes to use all its reasonable endeavours to procure that the Issuer will not, conduct any business or any activities other than the establishment and maintenance of note programmes, the offering, sale or issuance of bonds, notes or other securities, the lending of the proceeds thereof to the Guarantor and/or any of its Subsidiaries, the maintenance of the Issuer's corporate existence and any other activities reasonably incidental thereto as necessary in connection therewith.

(c) *Reporting Covenants*: Where the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(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, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota available to Agricultural Bank of China Limited and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Issuer and the Guarantor undertakes to use its reasonable endeavours to cause Agricultural Bank of China Limited or other party to file with the NDRC the requisite information and documents within the prescribed time period after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Information Report**").

6. Fixed Rate Note Provisions

(a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note *divided by* the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note and Index-Linked Interest Note

(a) *Application*: This Condition 7 (*Floating Rate Note and Index-Linked Interest Note*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to major banks in the Principal Financial Centre of the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is the day specified in the relevant Pricing Supplement.

(e) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

(f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note *divided by* the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts*: If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(i) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 20 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications* etc.: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(k) *Benchmark Replacement*: Notwithstanding the provisions above in this Condition 7, if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the Issuer (acting in good faith) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(k)); **provided, however, that** if sub-paragraph (ii) applies and the Issuer (acting in good faith) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(k));

(iv) if the Independent Adviser or the Issuer (acting in good faith) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in good

faith) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(k). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

(v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent, Calculation Agent and the Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions (including the amounts of the Adjustment Spread, if any),

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

8. Zero Coupon Note Provisions

(a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) *Application*: This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) of the Guarantee of the Notes, as a result of any change in, or amendment to, the laws or regulations of the PRC, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 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 amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent to make available at its specified office to the Noteholders (1) a certificate signed by any director of the Issuer or two directors of the Guarantor, as the case may be, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) *plus* accrued interest (if any) to such date).

(d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption for Change of Control*: If the CoC Put Option is specified in the relevant Pricing Supplement as being applicable, at any time following the occurrence of a Change of Control, the Issuer shall, at the option of the holder of any Note (the "**CoC Put Option**") redeem such Note on the Put Settlement Date at a price equal to the Early Redemption Amount (Change of Control) together with interest accrued to such date. In order to exercise the CoC Put Option, the holder of a Note must, within 30 days (i) following a Change of Control or (ii) following (if later) the day upon which the Issuer gives such relevant notice to Noteholders in accordance with Condition 20, deposit, in the case of Bearer Notes, the Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, or, in the case of Registered Notes, the Note Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed and signed notice of redemption (a "**Put Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

No Note or Note Certificate, once deposited with a duly completed Put Exercise Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the Put Settlement Date, the Notes evidenced by any Note or Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Note

Certificate on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note or Note Certificate shall, without prejudice to the exercise of the CoC Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant Put Exercise Notice.

Following the occurrence of a Change of Control, the Issuer shall give notice to Noteholders in accordance with Condition 20 by not later than seven 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 Noteholders of their rights to require redemption of the Notes pursuant to this Condition 10(e).

For the purposes of this Condition 10(e): a "**Change of Control**" occurs when:

(i) the Controlling Persons and any other person Controlled by the Controlling Person, together cease to, directly or indirectly, own or control 51 per cent. of the voting rights of the issued share capital of each of the Issuer or the Guarantor; or

(ii) the Guarantor ceases to have Control of the Issuer.

"**Control**" means (where applicable), with respect to a Person, (i) the ownership, acquisition or control of 51 per cent. or more of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove a majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person;

"**Controlling Persons**" mean Agricultural Bank of China Limited or its successor; and

a "**Person**", as used in Condition 10(e), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

(f) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (f) (*Redemption at the option of Noteholders*) above.

(h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. 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 the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 18 (*Meetings of Noteholders*).

(j) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them may be reissued, resold or surrendered to the Fiscal Agent for cancellation.

11. Payments – Bearer Notes

This Condition 11 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest:* Payments of interest shall, subject to paragraph (i) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be

able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (Principal) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption for*

Change of Control), Condition 10(f) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) (*Payments in New York City) above*).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Payments – Registered Notes

This Condition 12 (*Payments – Registered Notes*) is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections

1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

13. Taxation

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC or Hong Kong or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) held by a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

(b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, the PRC or Hong Kong, respectively, references in these Conditions to the British Virgin Islands, the PRC or Hong Kong shall be construed as references to the British Virgin Islands, the PRC or Hong Kong (as the case may be) and/or such other jurisdiction.

14. Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing:

(a) *Non-payment:* default is made in the payment on the due date of principal of or any interest on any of the Notes and such failure continues for a period of 30 days; or

(b) *Breach of other obligations:* (i) the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under or in respect of the Notes or the Deed of Covenant or (ii) the Guarantor does not perform or comply with any one or more of its other obligations under or in respect of the Guarantee of the Notes, in each case, which default remains unremedied for a period of 45 days after written notice of such default shall have been delivered to the Issuer and the Guarantor (with a copy to the Fiscal Agent) by holders of an aggregate principal amount of not less than 10 per cent. of the outstanding Notes; or

(c) *Cross-default*:

(i) any other present or future Indebtedness for Borrowed Money of the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or

(ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any applicable grace period,

provided that the aggregate amount of the Indebtedness of Borrowed Money in respect of which one or more of the events mentioned above in this Condition 14(c) have occurred equals or exceeds US$30,000,000 or its equivalent; or

(d) *Insolvency*: the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries; or

(e) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries, or the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Guarantor Material Subsidiary, whereby the undertaking and assets of the Guarantor Material Subsidiary are transferred to or otherwise vested in the Guarantor or another of the Guarantor Material Subsidiaries or any disposal or sale of a Guarantor Material Subsidiary to any other person on arms' length terms for market consideration; or

(f) *Security Enforced:* a secured party takes possession, or a receiver, administrative receiver, administrator, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries and shall not be discharged within 45 days of being enforced; or

(g) *Enforcement Proceedings:* if a distress, attachment, execution, any seizure before judgment or other legal process shall be sued out, levied, or enforced upon or against all or a substantial part of the property, assets, revenues or undertaking of the Issuer, the Guarantor or any of the Guarantor Material Subsidiaries and shall not be stayed or discharged within 45 days of being sued out, levied or enforced; or

(h) *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 (i) to enable the Issuer or as the case may be, the Guarantor, lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Notes, the Deed of Covenant and the Deed of Guarantee admissible in evidence in the courts of England or the British Virgin Islands is not taken, fulfilled or done; or

(i) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Coupons, the Deed of Covenant or the Deed of Guarantee and the Issuer or, as the case may be, the Guarantor fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the Issuer or, as the case may be, the Guarantor may lawfully perform such obligations; or

(j) *Deed of Guarantee*: the Deed of Guarantee is not (or is claimed by the Guarantor not to be) enforceable, valid or in full force and effect; or

(k) *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 any of Conditions 14(d) (*Insolvency*) to 14(g) (*Enforcement Proceedings*) (both inclusive),

then any Noteholder of at least 10% in aggregate principal amount of the Notes of any Series then outstanding may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

15. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or

quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided**, **however**, **that**:

(a) the Issuer shall at all times maintain a fiscal agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing a clear majority of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than 67 per cent. or, at any adjourned meeting, not less than 25 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, the Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three quarters of the votes cast on such resolution, (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the

Fiscal Agent) by or on behalf of the holder of not less than 75 per cent. of the aggregate principal amount of the Notes for the time being outstanding, or (iii) a resolution in writing signed by or on behalf of not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders, will take effect as if it were an Extraordinary Resolution. 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.

(b) *Modification, waiver and authorisation:* Notwithstanding Condition 18(a) (*Meetings of Noteholders*) above, the Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify, waive or authorise a breach of any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification, waiver or authorisation unless such modification is of a formal, minor or technical nature, it is made to correct a manifest error or such modification, waiver or authorisation is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest thereon, the date from which interest starts to accrue and the NDRC Post-Issue Information Report) so as to form a single series with the Notes.

20. Notices

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, or any other 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 Conditions 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 Issue Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice.

21. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order

or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

(a) *Governing law:* The Agency Agreement, the Deed of Guarantee, the Deed of Covenant, the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Notes are governed by, and construed in accordance with, English law.

(b) *Submission to jurisdiction*:

(i) Subject to Condition 23(b)(iii) (*Submission to jurisdiction*) below, the courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a Dispute) and accordingly each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the courts of Hong Kong.

(ii) For the purposes of this Condition 23(b) (*Submission to jurisdiction*), the Issuer waives any objection to the courts of Hong Kong on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) *Appointment of process agent:* the Issuer irrevocably appoints the Guarantor at 16/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong as its agent for service of process in any proceedings before the courts of Hong Kong in relation to any Dispute and agrees that, in the event of the Guarantor being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in Hong Kong in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of immunity*: Each of the Issuer and the Guarantor irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the courts of Hong Kong and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the courts of Hong Kong or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, 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 Dispute.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes 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.

[**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 (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; or (ii) a customer within the meaning of Directive (EU) 2016/97 (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 (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.][1]

[**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 ("**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 ("**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 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. Consequently no key information document required by Regulation (EU) No 1286/2014 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.][2]

---

[1] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[2] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

MiFID II product governance / target market – ***[appropriate target market legend to be included]***

Option 1: Legend for issuances involving one or more MiFID Firm manufacturers

[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**")][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.]

Option 2: Legend for issuances where there is a sole manager that is a MiFID Firm manufacturer (i.e. no syndicate) (and assuming that none of the Issuer, the Guarantor or other credit provider is a MiFID regulated entity)

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of the 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**")][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 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 target market assessment) and determining appropriate distribution channels.]

UK MiFIR product governance / target market – ***[appropriate target market legend to be included]***

Option 1: Legend for issuances involving one or more UK MiFIR Firm manufacturers

[**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 eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), 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 ("**UK MiFIR**") only; 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.]

Option 2: Legend for issuances where there is a sole manager that is a UK MiFIR Firm manufacturer (i.e. no syndicate) (and assuming that none of the Issuer, the Guarantor or other credit provider is a UK MiFIR regulated entity)

[**UK MiFIR product governance / Professional investors and ECPs only target market** - Solely for the purposes of the 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, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), 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 ("**UK MiFIR**") only; 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 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 target market assessment) and determining appropriate distribution channels.]

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/ ["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).[3]

[*To include for Notes to be listed on the Hong Kong Stock Exchange*:

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 "**Hong Kong Stock Exchange**") ("**Professional Investors**")) only.

Notice to Hong Kong investors: The Issuer, the Guarantor and the Group confirm 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, the Issuer, the Guarantor and the Group confirm 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 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor and the Group, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

This Pricing Supplement 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, the Guarantor and the Group. Each of the Issuer, the Guarantor and the Group accepts full responsibility for the accuracy of the information contained in this Pricing Supplement 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.]

---

[3] Please delete accordingly depending on product classification of the relevant drawdown.

Pricing Supplement dated [•]

INVENTIVE GLOBAL INVESTMENTS LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$3,500,000,000 Medium Term Note Programme

The 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 Conditions (the "**Conditions**") set forth in the Offering Circular dated [•] 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [•] 2021 [and the supplemental Offering Circular dated [*date*]].

[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 (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.]

[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 guidance for completing the Pricing Supplement.]

1.	Issuer:	Inventive Global Investments Limited
2.	Issuer Legal Entity Identifier:	2221005EX2X7ALDBEA02
3.	Guarantor:	ABC International Holdings Limited
4.	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
	[(iii) Date on which the Notes become fungible:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [25] below, which is expected to occur on or about [*date*]]/[Not Applicable]]
5.	Specified Currency or Currencies:	[•]
6.	Aggregate Nominal Amount:	[•]
	(i) Series:	[•]
	(ii) Tranche:	[•]

7.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
8.	(i)	Specified Denominations[4] [5] [6]	[•]
	(ii)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[•] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
9.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
10.	Maturity Date:		[*Specify date or (for Floating Rate Notes*) – Interest Payment Date falling in or nearest to [*specify month and year*]][7] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*]

---

4 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).

5 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 for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Notes", such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof. Notes to be listed on HKSE are required to be traded with board lot size of at least HK$500,000 (or equivalent in other countries).

6 Notes to be listed on HKSE are required to be traded with board lot size of at least HK$500,000 (or equivalent in other countries).

7 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

11.	Interest Basis:	[[•] per cent. Fixed Rate] [[*Specify reference rate*] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [Other (Specify)] (further particulars specified below)
12.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [Other (*Specify*)]
13.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*] [Not Applicable]
14.	Put/Call Options:	[Investor Put] [Issuer Call] [CoC Put Option] [(further particulars specified below)] [Not Applicable]
15.	Listing:	[Hong Kong/Other (*specify*)/None] (For Notes to be listed on the [Hong Kong Stock Exchange], insert the expected effective listing date of the Notes)
16.	(i) Status of the Notes:	[Senior]
	(ii) Status of the Guarantee:	[Senior]
	(iii) Date of regulatory approval for issuance of Notes obtained:	[Pre-Issuance NDRC Registration Certificate dated [•]/name and date of the NDRC Quota (in respect of annual foreign debt issuance quota granted by NDRC in favour of [Agricultural Bank of China Limited])]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	**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/monthly/other (*specify*)] in arrear on each Interest Payment Date]
	(ii) Interest Payment Date(s):	[[•] in each year up to and including the Maturity Date]/[*Specify other*] (*Amend appropriately in the case of irregular coupons*)
	(iii) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[•] per Calculation Amount[9]
	(iv) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]] [Not Applicable]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA)/specify other]
	(vi) [Determination Date(s):	[[•] in each year] [Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
18.	**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 Period:	[•][, 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]

[9] 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 RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards".

		(*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(iii)	Specified Interest Payment Dates:	[•][, 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] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(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/ other (*give details*)] [Not Applicable]
(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]
(vii)	Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[•] month [LIBOR/EURIBOR/*specify other Reference Rate] (Either LIBOR, EURIBOR 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 or euro LIBOR), first day of each Interest Period if Sterling LIBOR 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*)
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)]
(x)	ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) (*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360] [Eurobond Basis] [30E/3 60 (ISDA)] [Other]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
19.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:	[•] per cent. per annum

(ii)	Reference Price:	[•]
(iii)	Any other formula/basis of determining amount payable:	[•]
(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365 (Fixed)]
20.	**Index-Linked Interest Note/other variable-linked interest Note Provisions:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Index/Formula/other variable:	[*give or annex details*]
(ii)	Calculation Agent:	[*give name*]
(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[•]
(iv)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(v)	Interest Determination Date(s):	[•]
(vi)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
(vii)	Interest or calculation period(s):	[•]
(viii)	Specified Period:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (x) below/, not subject to any adjustment, as the Business Day Convention in (x) below is specified to be Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert ''Not Applicable''*)

(ix)	Specified Interest Payment Dates:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (x) below/, not subject to any adjustment, as the Business Day Convention in (x) below is specified to be Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(x)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
(xi)	Additional Business Centre(s):	[•]
(xii)	Minimum Rate/Amount of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate/Amount of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[•]
21.	Dual Currency 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)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•]
(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

22.	**Call Option:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date (Call):	[•]

(ii)	Optional Redemption Amount (Call) of each Note and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/[Spens Amount/Make-whole Amount/] *specify other*/see Appendix]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount	[•] per Calculation Amount
(iv)	Notice period:	[•]
23.	**Put Option:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date (Put):	[•]
(ii)	Optional Redemption Amount (Put) of each Note and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/specify other/see Appendix]
(iii)	Notice period:	[•]
24.	**CoC Put Option:**	[Applicable/Not Applicable]
(i)	Early Redemption Amount (Change of [•] Control):	[•]
25.	**Final Redemption Amount of each Note:**	[[•] per Calculation Amount/specify other/see Appendix]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
(i)	Index/Formula/variable:	[give or annex details]
(ii)	Party responsible for calculating the Final Redemption Amount:	[•]
(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[•]

(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
(vi)	[Payment Date]:	[•]
(vii)	Minimum Final Redemption Amount:	[•] per Calculation Amount
(viii)	Maximum Final Redemption Amount:	[•] per Calculation Amount
26.	**Early Redemption Amount**	[•] [Not Applicable]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	(*If each of the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	**Form of Notes:**	**Bearer Notes:**[10] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice][11] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][12]

[10] Bearer Notes issued in compliance with the D Rules must initially be represented by a Temporary Global Note.

[11] 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.

[12] The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Global Notes exchangeable for Definitive Notes.

		Registered Notes: [Global Note Certificate exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Note Certificate]
28.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details.* *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(vi) and 18(x) relate]*
29.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
30.	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 (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Yes/No. *If yes, give details*]
31.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
32.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
33.	Consolidation provisions:	The provisions in Condition 19 (*Further Issues*) [annexed to this Pricing Supplement] apply
34.	Any applicable currency disruption/fallback provisions:	[Not Applicable/*give details*]
35.	Other terms or special conditions:	[Not Applicable/*give details*]
36.	(i) Method of distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name/Any of the Managers appointed and acting in the capacity as a Stabilisation Manager*]
37.	If non-syndicated, name and address of relevant Dealer:	[Not Applicable/*give name and address*]

38.	US Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) – Not Applicable
39.	Additional selling restrictions	[Not Applicable/*give details*]
40.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID 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, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

OPERATIONAL INFORMATION

42.	ISIN Code:	[•]
43.	Common Code:	[•]
44.	CMU Instrument Number	[•]
45.	Any clearing system(s) other than Euroclear/Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
46.	Delivery:	Delivery [against/free of] payment
47.	Additional Paying Agent(s) (if any):	[•]

GENERAL

48.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [•], producing a sum of (for Notes not denominated in US dollars):	[Not Applicable/US$]
49.	Ratings:	The Notes to be issued have been rated: [S&P: [•]]; [Moody's: [•]]; [and] [Fitch: [•]] (each a "**Rating Agency**").

[USE OF PROCEEDS

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

[STABILISATION

In connection with the issue of the Notes, [*name(s) of Stabilisation Manager(s)] (or persons acting on behalf of [name(s) of Stabilisation Manager(s)*]) (the "**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 for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager[s] to do this. 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.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the US$3,500,000,000 Medium Term Note Programme.

MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][13] has been no significant change in the financial or trading position of the Issuer or of the Guarantor since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor since [insert date of last published annual accounts].]

RESPONSIBILITY

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

Signed on behalf of Inventive Global Investments Limited:

By:

Duly authorised

Signed on behalf of ABC International Holdings Limited:

By:

Duly authorised

---

[13] If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by a Global Certificate, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the person in whose name such Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU, will be such depositary or common depositary, or a nominee for such depositary or common depositary, or such sub-custodian, as the case may be.

Each of the persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

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 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 for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Conditions Applicable to Global Notes

Each Global Note and Global Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of

the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto. For so long as Notes are evidenced by a Global Note or Global Certificate, interest shall be payable on (and calculated by reference to) the outstanding principal amount of the Notes evidenced by the relevant Global Note or Global Certificate.

Payment Business Day: In the case of a Global Note, or a Global Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 10(f) (*Redemption at the option of Noteholders*) the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes where such Notes are held with Euroclear and/or Clearstream and/or the CMU, the Temporary Global Note or Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at their discretion) or the CMU (as the case may be).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system (other than the CMU, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system or (ii) deposited with a sub-custodian for the CMU, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Noteholders, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

CAPITALISATION AND INDEBTEDNESS

As at 31 December 2020, the issued share capital of the Guarantor was HK$4,113,392,450 consisting of 4,113,392,450 ordinary shares.

The following table sets out the total capitalisation and indebtedness of the Guarantor as at 31 December 2020 which has been extracted from the consolidated statement of financial position of the Guarantor as at the same date. The table should be read in conjunction with the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 and the notes thereto.

	As at 31 December 2020
	HK$
Share capital	4,113,392,450
Retained earnings	5,471,728,418
Revaluation reserve	225,071,436
Exchange reserve	(105,699,785)
Merger reserve	(317,492,450)
Statutory reserve	107,791,891
Non-controlling interests	93,504,695
TOTAL EQUITY	9,588,296,655
Borrowings	9,378,576,232
Notes issued	19,980,368,770
Total Borrowing[(1)]	29,358,945,002
Total Capitalisation[(2)]	38,947,241,657

Notes:

(1) Total borrowings represent borrowings and notes issued of the Guarantor.

(2) Total capitalisation represents total borrowing and total equity of the Guarantor.

Except for the issuance of RMB1,100,000,000 bonds due 2026 in April 2021 by ABC International Investment (Suzhou) Co., Ltd. and the issuance of RMB3,000,000,000 due 2026 in June 2021 by ABC International (China) Investment Co., Ltd., there has been no material adverse change in the Guarantor's capitalisation since 31 December 2020.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Issuer or on lent by the Issuer to the Guarantor and/or any of its subsidiaries for general corporate purposes. If, in respect of any issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE ISSUER

Formation

Inventive Global Investments Limited, a wholly-owned subsidiary of the Guarantor, is a BVI Business Company incorporated on 13 October 2016 under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1925858). The registered office of the Issuer is at the offices of Vista Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.

Business Activity

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. The Issuer does not conduct any business or any activities other than the establishment and maintenance of the note programmes, the offering, sale or issuance of bonds, notes or other securities thereunder, the lending of the proceeds thereof to the Guarantor and/or any of its subsidiaries, the maintenance of its corporate existence and any other activities reasonably incidental thereto as necessary in connection therewith and those incidental to the issue of the notes under the note programmes.

The Issuer has established a U.S.$3,500,000,000 medium term note programme unconditionally and irrevocably guaranteed by the Agricultural Bank of China Limited Hong Kong Branch ("**ABC HK Branch**"), under which it had issued the following notes:

- U.S.$300,000,000 3.875 per cent. fixed rate notes due 2021;
- U.S.$500,000,000 floating rate notes due 2021; and
- U.S.$500,000,000 2.50 per cent. fixed rate notes due 2020.

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, the Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

As at the date of this Offering Circular, the Directors of the Issuer are Mr. Tse Sing Tung Tony, Ms. Wu Liyun, Ms. Yang Raorao and Mr. Peng Ching. 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. The Issuer does not have any employees and has no subsidiaries.

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

The Guarantor is a wholly-owned subsidiary of the ABC Group, one of the major integrated financial service providers in China. The Group provides integrated financial services in Hong Kong, including IPO sponsorship and financial advisory, equity underwriting and placing, debt capital markets, investment management, asset management, securities and brokerage etc., and offer a wide range of capital market services in the PRC, including direct investment, fund management, financial advisory, etc.

Leveraging on the resources of the ABC Group, the Group has built close interactions between investment banking and commercial banking, onshore business and offshore business, and capital market and monetary market. The Group seeks to help its customers realise their value and assist them to develop themselves, grow profit and create value.

As of the date of this Offering Circular, the Group primarily carries out its regulated business activities through its licensed subsidiaries. As at 31 December 2020, the Group had over 305 employees.

For the year ended 31 December 2020, the Group's total operating income (including other income and other gains and losses) was HK$3,163 million and net profit was HK$778 million, compared to HK$3,614 million and HK$1,374 million for the year ended 31 December 2019, respectively, and representing an decrease of 12.48 per cent. and 43.38 per cent., respectively.

The Group is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained the following licences from the Hong Kong Securities and Futures Commission ("**SFC**"): Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

The Group's business primarily comprises the following business segments:

- *Corporate Finance and Underwriting*: The Group has Type 1 and Type 6 licenses issued by the SFC and provides professional services to a wide range of corporate customers. The Group has a talented IPO sponsorship team with extensive experiences in project execution from brainstorming, material preparation, communication with regulatory bodies and subsequent issuance. The team also provides high-quality financial advisory services in mergers and acquisitions, reorganisations and privatisations for enterprises in diverse industries and at different stages of development. The Group satisfies the needs for diversified financing of listed and unlisted companies in different industries by providing a diversified funding platform. The Group is one of the most active Chinese investment banks in Hong Kong's debt capital market, providing a wide range of debt financing solutions to its clients, including investment-grade bonds, high-yield bonds, convertible bonds and panda bonds.

- Investment Management: The Group invests using a variety of methods, including private equity investment, mergers, acquisitions and restructuring financing, bond investments, share purchases and opportunistic investments. The sources of financing are also diversified, ranging from self-owned funds, external investors, and funds from well-known strategic partners. The Group's investments are mainly concentrated within the PRC but also span Hong Kong, United States, and Europe.

- *Asset Management*: The Group holds types 4 and 9 licenses and ABCI Asset Management Limited ("**ABCI Asset Management**") is the main subsidiary engaged in the Group's asset management business. The Group's asset management business covers a diversified range of products such as special investment accounts, private equity funds, public funds and investment-linked bills. ABCI Asset Management provides its customers will a full range of professional investment and

investment advisory services. In addition, the Guarantor has obtained RQFII and QFII qualifications and quotas from the China Securities Regulatory Commission ("**CSRC**") and is among the first batch of companies to be granted Bond Connect investment qualification. This allows the Group to achieve cross-border asset allocation for its customers. For the years ended 31 December 2018, 2019 and 2020, total assets under the Group's management were HK$102.4 billion, HK$98.7 billion and HK$86.8 billion respectively.

- *Securities and Brokerage*: As a participant of the Hong Kong Stock Exchange, the Group has types 1 and 4 licenses and is committed to providing investment services for its institutional clients, corporate clients and private clients both domestically and abroad. Main services provided include stock trading and financing, IPO share subscription and investment, research and consulting, institutional sales and private placement. The Group also offers securities brokerage services in relation to B-shares and stocks listed in the United States, Australia, Japan, Singapore, the United Kingdom, Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Group's main clients include sovereign funds, mutual funds, hedge funds, QDIIs, insurance firms and other onshore and offshore institutional clients, listed companies and their major shareholders, institutional clients, professional investor groups and other customers from the ABC Group's client stream.

History and Milestones of the Group

Set out below are the history and key milestones of the Group:

2009	Following the successful shareholding reform in early 2009, the ABC Group passed a resolution for the incorporation plan for the Guarantor and the Guarantor completed the registration formalities in Hong Kong on 10 November 2009.
2010	On 23 April 2010, with the approval of the China Banking Regulatory Commission ("**CBRC**"), ABC integrated its institutions in Hong Kong, namely ABCI Securities Company Limited and ABCI Insurance Company Limited, into ABC International. The Group established ABCI China Investment Corporation Limited and ABCI Capital Limited in mainland China and Hong Kong, respectively.
2011	The Group established ABCI Guolian Wuxi Investment Management Company Limited, ABCI Asset Management Limited and ABCI Investment Management Limited in mainland China, Hong Kong and BVI, respectively.
2013	In December 2013, the Group established ABCI Investment Suzhou Corporation Limited (formerly known as ABC (Suzhou) Investment Management Company Limited).
2014	In October 2014, with the approval of the CBRC, the Guarantor increased its registered capital by HK$1.2 billion to HK$4.11 billion. The Group issued US$300 million notes guaranteed by ABC HK Branch.
2015	The Group taped US$200 million notes guaranteed by the ABC HK Branch.
2016	The Group issued US$500 million notes guaranteed by ABC HK Branch.
2017	The Group issued US$500 million notes guaranteed by ABC HK Branch.

2018	In August 2018, the Group issued a private panda bond in principal amount of RMB3.0 billion. The Group issued US$800 million notes guaranteed by ABC HK Branch, including US$500 million floating rate notes and US$300 million fixed rate notes.
2019	The Group was assigned an "A2" long-term issuer rating and "Prime-1" short-term issuer rating from Moody's; a LDR of "A" and a short term IDR of "F+" from Fitch; it was also assigned an "A-" long-term and "A-2" short term issuer credit ratings from S&P.
2020	The Group issued RMB500 million notes, US$450 million notes and US$800 million notes guaranteed by the Guarantor in June, July and September 2020 respectively.

Competitive Strengths

The key competitive strengths of the Group are as follows:

Strong support from the ABC Group

As the only wholly-owned licensed business platform of the ABC Group, the Group leverages on the resources provided by the ABC Group and aligns itself closely with the ABC Group in areas including senior management appointment, daily operations, risk management, reporting and assessment. The Group formulates strategic development plans in accordance with the development and strategic direction of the ABC Group to achieve coordinated development between the two.

- *Funding*: The ABC Group fully supports the Group's business development through capital injection, inter-group borrowings and guarantee provision; the Group has also received several capital injections from the ABC Group and is expected to see further capital increases in the future.

- *System management*: The Group's management system is closely aligned with the ABC Group's consolidated management system. The Group adheres with corporate governance procedures closely and reports on matters in accordance with the "Agricultural Bank of China Subsidiary Management Measures" and other regulations in a prudent manner.

- *Customer resources*: The Group works closely with the other members within the ABC Group to consolidate customer data and explore business opportunities in a timely manner.

- *Risk management*: The Group strictly follows the ABC Group's procedures on consolidated management and risk reporting. The Group regularly reports on operational risks, liquidity risks, internal transactions, internal control and compliance and anti-money laundering measures to ensure compliance with the requirements of the CBRC.

- *Personnel appointment*: The five members of the Guarantor's board of directors are appointed by the ABC Group and the appointment, replacement and removal of directors are subject to the approval of the ABC Group.

- *Performance assessment*: The ABC Group assesses the Group's operating performance as part of the annual performance assessment program. The key assessment indicators include return on capital, profit margin on net profit expenditure, non-performing asset ratio, significant operational risks, reputational risks and inter-group business synergy.

Excellent business performance and leading industry position

Leveraging the ABC Group's resources and competitive edges, the Group has become an industry leader in the underwriting of equity products and has completed over 80 IPOs and was ranked 2nd in the industry in terms of number of IPOs involved from 2018 to 2020 including Guangzhou Rural Commercial Bank IPO, Xiaomi IPO, China Tower IPO, Tongcheng Elong IPO, Shenwan Hongyuan IPO, etc. The Group was also ranked 6th in terms of scale of IPOs acting as sponsor and underwriter in 2020. The Group played a key role in several market-leading bond projects, having successfully completed more than 300 bond or preference share issuance projects for companies including China Huadian Corporation, China National Offshore Oil Corporation, Shandong Gold Group, Guangdong Energy Group, China Huarong Asset Management, China Great Wall Asset Management, Citic Securities, Huatai Securities, Agricultural Development Bank of China, Chong Hing Bank, etc The Group's ROE, ROA, cost-to-income ratio and other important financial indicators have ranked among the top in the industry for many years. As of 31 December 2020, the Group's ROE[11], ROA[12] and cost-to-income ratio[13] are 8.72%, 1.90% and 0.372, respectively.

In recent years, leveraging the Group's strengths of professional and efficient investments and research service capabilities, the Group has been rapidly growing the scale of its assets under management. For the years ended 31 December 2018, 2019 and 2020, the Group's assets under management were HK$102.4 billion, HK$98.7 billion and HK$86.8 billion respectively. The Group has established a solid customer base, with customers ranging from financial institutions, investment banks, large fund management companies, hedge funds and local non-profit organizations in Hong Kong, large and medium-sized enterprises in China, to high net worth customers in Europe.

The Group has won many awards and accolades in accordance with China Financial Market, Finance Asia and The Asset in recent years. These awards and accolades, which are granted to market leaders in IPO sponsorship, financial advisory and Debt Capital Markets, demonstrate the Group's leading industry position:

- *Finance Asia Best IPO of the Year*: CGN Power Co's U.S.$3.6 billion IPO. The Group was involved in CGN Power Co's listing on the Hong Kong Main Board as the joint sponsor, joint global coordinator and joint bookrunner. The deal was described as "the IPO of an unprecedented scale involving a clean energy company on the international stage" according to FinanceAsia and is also the world's largest IPO in the public utility and energy industry in the past five years.

- *The Asset Best IPO of the Year*: ZhongAn Online P&C Insurance's U.S.$1.8 billion IPO. The Group was involved in ZhongAn Online P&C Insurance listing on the Hong Kong Main Board as joint bookrunner. The deal was the first large scale fintech company listing in Hong Kong and the largest fintech IPO in Asia during the year 2017.

- *The Asset Best IPO of the Year*: Meituan Dianping's U.S.$4.2 billion IPO. The Group was involved in Meituan Dianping listing on the Hong Kong Main Board as joint bookrunner. The deal was the largest ever China Internet IPO in Hong Kong (Not including secondary listing IPOs).

- *Finance Asia Best Green Bond of the Year*: The Group played a leading role as a joint global coordinator in ABC Group's U.S.$1 billion green bond is the first RMB-denominated green bond.

- *China's Best Debut Bond Offering*: The Group acted as a joint global coordinator in China Chengtong's issuance of U.S.$500 million senior bond.

---

11 ROE is calculated by dividing the profit for the year by the average equity for 2019 and 2020.
12 ROA is calculated by dividing the profit for the year by the average assets for 2019 and 2020.
13 Cost-to-income ratio is calculated by dividing total operating expenses by total operating income.

- *Best Capital Securities Issuance*: The Group, as joint bookrunner and co-lead underwriter, successfully assisted the Postal Savings Bank in issuing a U.S.$7.25 billion additional tier I perpetual preferred capital security in 2017. In 2018, the Group successfully assisted CITIC Bank International in issuing a U.S.$500 million additional tier I capital instrument.

One-stop licensed investment and financial services platform with diversified products and services

The Group has established a one-stop licensed investment and financial services platform providing comprehensive and diversified services through its key businesses of corporate finance and underwriting, investment management, asset management, and securities and brokerage which serve its clients at every stage of their business life cycle. Complementing the traditional services of commercial banks and the ABC Group, the Group provides bespoke and innovative products and services. In particular, the Group is able to complement the ABC Group's existing business by exploring new opportunities and projects which may fall outside of the ABC Group's traditional commercial banking business but can be taken on board by the Group, thus allowing the Group to provide clients with a one-stop licensed investment and financial services platform.

In addition, the Group has demonstrated that it has a well-integrated financial platform on which to operate with strong performance in a number of financial indicators. Compared with the year ended 31 December 2018, for the year ended 31 December 2019, total operating income increased 51.53 per cent. from HK$2,385 million to HK$3,614 million, net profit increased 418.49 per cent. from HK$265 million to HK$1,374 million and total assets increased 9.56 per cent. from HK$43,283 million to HK$39,145 million.

Robust risk management system and prudent corporate governance

The Group has a comprehensive risk management system and an internal control system in place in order to manage its risk exposure (see "*Description of the Group – Risk Management*"). Policies and procedures of the Group are supervised by the Head Office and have been implemented in line with the ABC Group's well-developed risk management system (including the adaptation of a credit risk and market risk management system. The Group's risk department takes the lead in the overall risk management and is responsible for setting the risk limits of each business and the formulation of follow-up management and risk surveillance.

The Group also has a prudent corporate governance structure where powers are assigned by the shareholders to the board of directors and different committees. The board of directors of the Group comprises five directors, all of which are appointed by the ABC Group and is responsible for formulating overall development strategies and the approval of critical matters. The Group has complete and comprehensive committees such as risk management committee, strategic development committee, personnel and remuneration committee, and audit committee which support the Group's business and operation.

Strong distribution network and research capabilities

The Group has established a well-structured, extensive and efficient distribution network of client coverage. This network encompasses the majority of Greater China and services global institutional investors, high net worth individuals and corporates. The Group has diversified its distribution channels in order to enhance its ability to provide individualised services and has continued to upgrade its operational network, strengthen its customer management team and improve its multi-level customer service system and its customer service capabilities. The Group also possesses strong research capabilities with a research team focused on Global Market research with the aim of providing investors with incisive investment recommendations and bespoke, value-added advice.

Comprehensive internal control system

The Group has a comprehensive internal control system, including internal control framework, board of directors, management and internal control departments, to effectively ensure the healthy development of its diversified businesses.

- Internal control framework

  (a) In terms of corporate governance, the Group has established a corporate governance framework with clear responsibilities and allocation of responsibility, strengthening the three lines of defence, and the roles and responsibilities of each department: The first line of defense is clear allocation of responsibilities, i.e. to establish sound role responsibilities and standardized role management measures; the second line of defense is departmental supervision, i.e. the establishment of separate checks and balances between the front-end and the back-end; the third line of defense is internal audit, i.e. the establishment of an audit system to implement comprehensive supervision of all roles, departments, and businesses.

  (b) In terms of authorization, the Group adopts a differentiated management and unified authorization model. Through granting basic authorizations and special authorizations, the Group ensures standardized and flexible coordination that remains uniform. Under this model, the rights of the shareholders, board of directors, management and subsidiaries are clearly defined.

  (c) In terms of organizational structure, the Risk Committee of the board of directors are the highest institutions for risk control, while the Corporate Risk Management Committee and the Chief Risk Officer are responsible for the overall work of corporate risk management at the operational level. The Guarantor and its subsidiaries in the PRC have established risk management departments and roles to undertake specific risk management responsibilities.

  (d) In terms of system implementation, the Group regulates and restricts risk and compliance management through different business operation manuals, risk management systems, and compliance measures.

In terms of internal supervision, the Group has built three pillars of independent internal risk management, internal control compliance management, and audit supervision to strengthen business-wide process compliance and risk management and control, maintain compliant operating records, and ensure stability in asset quality. The Group plans to continue to strengthen monitoring, early warning, real-time control and dynamic management of risks to prevent both "black swan" and "gray rhino" events.

Diversified financing channels and strong fundraising capabilities

The Group maintains good long-term cooperative relationships with many large financial institutions and obtains funds at a competitive interest rate to support the Group's business development. The Group's total indebtedness (which includes borrowings and notes issued) for the year ended 31 December 2020 was HK$29,359 million, of which 53.90 per cent. were US dollar-denominated bonds, 2.02 per cent were RMB-denominated bonds, 12.14 per cent. were Panda bonds, 20.52 per cent. were bank loans, and 11.42 per cent. were other financing liabilities, most of which are unsecured financing. The Group aims to actively expand its financing channels and investor base. The Group has received strong financial support from the ABC Group. Between 2014 and 2018, the Group successfully issued multiple 3-year medium term notes guaranteed by ABC Hong Kong Branch, which greatly improved the Group's liquidity stability. The ABC Group also listed the Group as a global fund lending platform, so that the Group can borrow funds from the head office and any branch of the ABC Group around the world at almost any time, helping to ensure a stable and reliable source of funds.

The Group has many credit lines with various commercial banks, including ABC Hong Kong Branch, China Construction Bank, ICBC Asia, HSBC, China CITIC Bank (International), China Everbright Bank, Bank of Communications, Nanyang Commercial Bank, China Minsheng Bank, Shanghai Pudong Development Bank, Chong Hing Bank and Taipei Fubon Bank. The nature of such credit lines is varied and includes revolving loans, fixed-term loans, settlement limits, IPO financing, and foreign exchange transactions. In addition, the Group has also actively expanded direct financing channels, such as the issuance of offshore U.S. dollar-denominated bonds.

Professional 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 expertise covering a broad range of sectors including financial institutions, real estate, natural resources, consumer and healthcare. The Group's operations are managed by executives with extensive industry experience and a proven track record in financial institutions, regulatory bodies and securities exchanges. The board of directors of the Guarantor has extensive experience in the financial services industry (see "*Board of Directors*"). The Group recognises the importance of a capable workforce and has adopted various initiatives to attract proficient professionals to join the Group such as offering competitive remuneration packages, promoting staff development and encouraging career advancement. The expertise brought by the management team enables the Group to adjust its business strategies on a timely basis based on market trends and client needs so as to maintain its competitive advantages.

Business Strategies

In the next three years, the Group plans to continue to implement the requirements of the ABC Group and make steady and long-term progress while maintaining a two-way approach concerning company management and business operation with the goal of enhancing market competitiveness, value creation capability and risk prevention and control. Focusing on its core businesses such as corporate finance and underwriting, investment management, asset management, and securities and brokerage in Hong Kong, the Group intends to continue to increase its business scale and promote its brand name while aiming to complete more iconic, high-quality projects.

To achieve and strengthen its position and seek growth opportunities, the Group seeks to implement the following business strategies.

Act as a strategic platform to supplement the commercial banking business of the ABC Group

The Group strives to be one of the key drivers to support the ABC Group's transformation process. Dedicated to becoming a market leader by providing a licensed investment and financial services platform, the Group is developing its investment banking business to complement the well-established commercial banking business of the ABC Group, leveraging on the ABC Group's strong brand, client network and financial resources. A strategic position within the ABC Group not only strengthens the Group's own business, but also aligns well with the wider goals of the ABC Group.

In the next three to five years, the Group plans to focus on implementing the ABC Group's strategy to achieve "group synergy and high returns", with the subsidiaries focusing on "risk control, sustainable business and effective service to the ABC Group". The Group expects to effectively strengthen the integration of the ABC Group, improving its corporate governance and operational mechanisms to achieve joint development among different organisations within the group, so as to enhance business cooperation, market competitiveness and profitability. The Group intends to leverage on the ABC Group's integrated management platform which provides strong support for the development of each of its business line, a strong pipeline of potential clients and opportunities to discover high-quality investment assets. The Group is committed to effectively serving the ABC Group and building the ABC Group into a holistic investment bank with a strong brand name, exceptional professionalism and outstanding value creation capabilities in the Hong Kong market.

Innovate and achieve synergised development in the four key businesses

The Group aims to develop its four key businesses, which include corporate finance and underwriting, investment management, asset management, and securities and brokerage by expanding product lines and focusing on enhancing product sophistication and innovation. This would enhance the Group's business synergies and cross selling capabilities as well as its ability to meet its customers' increasing demand for customised business solutions. A variety of revenue sources from the four key businesses provide the Group with a solid foundation to continue diversifying its business lines and executing its growth strategies, thus contributing to its overall revenue growth.

For the IPO sponsorship and underwriting business, the Group plans to continue advising on corporate restructuring and listing structure optimisation while developing its business in a multi-pronged manner. The Group hopes to leverage on national policies and reforms in the Hong Kong capital markets to promote its services for large- and medium-sized state-owned enterprises and leading private enterprises and assist these enterprises to go public. While maintaining its strength in traditional industries such as the financial and real estate industries, the Group intends to further expand into and focus on breakthroughs in emerging industries such as biomedical and internet technology. Furthermore, the Group expects to tap into the customer base of the listed companies and actively participate in secondary market issuances. The Group strives to assist with overall arrangements and coordinate the work of professional intermediaries throughout the listing projects, optimise issuance plans and actively seek high-quality institutional and individual investors to maximise the issuance benefits for its customers.

In relation to the financial advisory business, the Group plans to respond to customers' needs for expansion in domestic and overseas markets and strive to participate in market-leading merger and acquisition projects. The Group expects to provide financial advisory services across the entire value chain such as counterparty identification, transaction and financial structure design, and due diligence and valuation assistance.

In relation to the investment management business, the Group expects to actively serve the development strategy of the ABC Group as a platform in Hong Kong for the ABC Group's onshore customers and respond to the diversified financial needs of its customers. The Group hopes to leverage on national projects such as the development of the Guangdong-Hong Kong-Macao Greater Bay Area, "One Belt, One Road" initiative and the mixed ownership state-owned enterprises reform to fully realise the synergy between the Group and the ABC Group. In terms of industries, the Group plans to focus on supporting high-tech industry, high-end manufacturing, new energy *etc.,* and actively participate in education, health care services, consumption and other fields which are close to people's livelihood and are fast-developing. In addition, the Group also plans to steadily expand its fixed income investment business, leveraging on products such as private placement bonds, public placement bonds, bridge loans, convertible bonds, mezzanine financing and asset-backed notes, *etc.*, to meet the personalised capital needs of customers in domestic and foreign mergers and acquisitions, industrial adjustments and corporate restructuring. At the same time, the Group aims to strengthen product innovation, establish personalised service plans and enhance risk control through structural arrangements.

In relation to its asset management business, the Group plans to continue to stay committed to serving the overall overseas asset allocation needs of the ABC Group, focusing on strengthening the synergy between the ABC Group's asset management, private banking, financial markets and other departments to improve the overall return. In relation to its domestic fund management business, the Group plans to closely track the national and regional development strategy trends and strengthen cooperation with large- and medium-sized central enterprises and state-owned enterprises in accordance with laws and regulations. The Group aims to explore fund projects such as deleveraging, mergers and acquisitions, mixed ownership reforms and expand cooperation opportunities with national ministries, state-owned capital investment companies, state-level funds, and seek opportunities to use industrial funds as an avenue to promote the investment-oriented operations of the traditional corporate business of the ABC Group.

In relation to its securities and brokerage business, the Group continues to deepen the transformation of the brokerage business by actively expanding its institutional investor customer base, including sovereign investment funds, medium to long-term hedge funds, large state-owned enterprises and asset management companies of various countries, tapping the potential of its key customers, and increasing the scale of secondary market transactions. Meanwhile, the Group plans to continue to optimise the institutional sales platform and research products to increase the number of large-scale institutional clients who are active in the primary and secondary markets and deepen relationships with private banking customers of the ABC Group, with an aim to increase the number of individual customers by 50%, particularly focusing on high net worth individuals. Furthermore, the Group plans to steadily develop its stock financing loan business while managing risks, with an aim of doubling its revenues within three years. The Group also intends to continue to strengthen its product and channel innovation, including its expertise in investment channels such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect to meet customer needs. It also intends to apply resources towards the construction of a global sales network to expand its sales coverage in areas such as Singapore, New York, London and the Middle East.

Expand and strengthen its China business and implement strategic plans for global coverage

While the Group intends to focus on the domestic market and domestic clients to better serve the clients of the ABC Group, it also aims to leverage on its access to the ABC Group's global network and implement strategic global coverage through the geographic extension of each business line. In order to meet customer needs, the Group plans to continue to explore investment channels such as the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect and the Bond Connect, and simultaneously accelerate the construction of a global sales network. With the ABC Group's existing overseas institutional network, the Group expects to expand its sales coverage in areas with more sophisticated investors such as Singapore, New York, London and the Middle East.

Continue to attract talented professionals to support its business strategy

To expand its product lines and operation globally, the Group intends to attract talented and diverse professionals by strengthening its corporate culture through promoting a people-oriented culture which focuses on achieving sustainable development. The Group expects to continue to foster a work environment which embraces cultural diversity and inclusiveness to attract high-calibre talents both locally and internationally.

Enhance risk management to adapt to the development of the Group's business

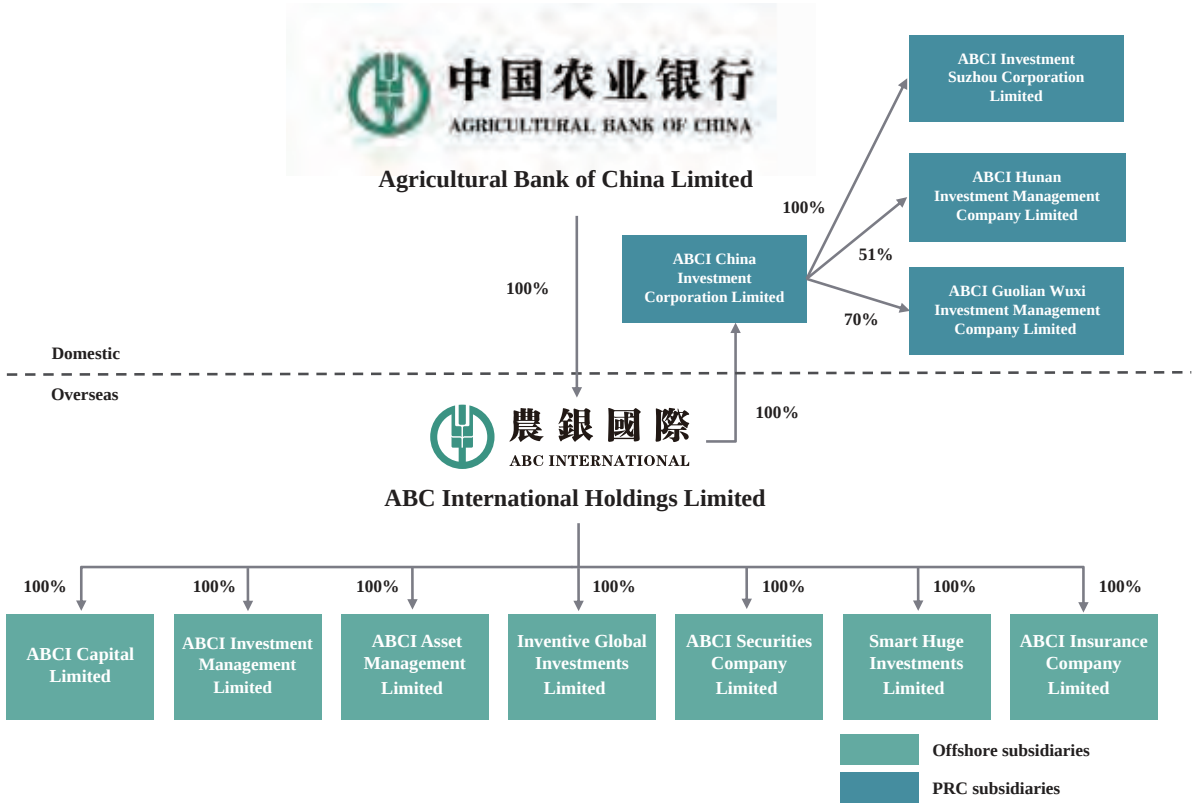
The Group plans to continue to enhance its risk management system and internal control policies by implementing the prudent risk management culture of the ABC Group. By adhering to its risk management system and internal control policies, the Group aims to continue to ensure that comprehensive risk evaluation is conducted before solutions are implemented.

Key Subsidiaries of the Guarantor

The Group has adopted a holding company structure and carries out its business activities primarily through wholly-owned subsidiaries. Besides ABCI Futures Limited (which currently does not hire any employees and has no business operation), the Guarantor's major subsidiaries include eight wholly-owned subsidiaries, namely ABCI Capital Limited, ABCI Investment Management Limited, ABCI Asset Management Limited, ABCI Securities Company Limited, Smart Huge Investments Limited, ABCI Insurance Company, ABCI China Investment Corporation Limited and ABCI Investment Suzhou Corporation Limited, and 2 holding subsidiaries, namely ABCI Guolian Wuxi Investment Management Company Limited and ABCI Hunan Investment Management Company Limited. An overview of each of the Guarantor's key subsidiaries as of 31 December 2020 is set out below:

Company Name	Type	Shareholding ratio (%)	Place of incorporation	Registered capital	Main business scope
ABCI Capital Limited	Wholly-owned subsidiary (direct shareholding)	100	Hong Kong	HK$100 million	Securities trading, corporate financial advisory services
ABCI Investment Management Limited	Wholly-owned subsidiary (direct shareholding)	100	British Virgin Islands	US$1	Investment holding
ABCI Asset Management Limited	Wholly-owned subsidiary (direct shareholding)	100	Hong Kong	HK$50 million	Securities advisory services, asset management
ABCI Securities Company Limited.	Wholly-owned subsidiary (direct shareholding)	100	Hong Kong	HK$2.56 billion	Securities trading services and securities advisory services
Smart Huge Investments Limited	Wholly-owned subsidiary (direct shareholding)	100	Hong Kong	HK$428 million	Property investment and property lease management
ABCI China Investment Corporation Limited	Wholly-owned subsidiary (direct shareholding)	100	Beijing	RMB1.55 billion	Investments in industries where foreign investments are allowed in accordance with the laws of the People's Republic of China
ABCI Investment Suzhou Corporation Limited	Wholly-owned subsidiary (indirect shareholding)	100	Suzhou, Jiangsu	RMB600 million	Investment management, asset management, investment consulting, financial advisory, industrial investment
ABCI Guolian Wuxi Investment Management Company Limited.	Holding subsidiary (indirect shareholding)	70	Wuxi, Jiangsu	RMB50 million	Investment management; business management advisory; foreign investment using own funds
ABCI Hunan Investment Management Company Limited.	Holding subsidiary (indirect shareholding)	51	Huaihua, Hunan	RMB10 million	Investment management; business management advisory; financial advisory; investment advisory; financial advisory; investment permitted by the laws, regulations and policies of the People's Republic of China
ABCI Insurance Company Limited.	Wholly-owned subsidiary (direct shareholding)	100%	Hong Kong	HK$500 million	Provision of general insurance services
ABCI Insurance Broker Limited . .	Wholly-owned subsidiary (indirect shareholding)	100%	Hong Kong	HK$129.6 million	Provision of insurance brokerage services

The following chart sets out the Guarantor's group structure as of the date of this Offering Circular.



The Guarantor's major subsidiaries

ABCI Capital Limited

ABCI Capital Limited was incorporated as a wholly-owned subsidiary of the Guarantor in Hong Kong on 24 September 2010. The company is a limited company (as defined under the Hong Kong Companies Ordinance) and has a current share capital of HK$100 million. The company holds Type 1 and Type 6 licenses since 17 March 2011. ABCI Capital Limited offers securities trading and institutional financing advisory services.

ABCI Investment Management Limited

ABCI Investment Management Limited was acquired by the Guarantor on 10 January 2011. The company is a limited company incorporated in the British Virgin Islands and has a current registered capital of US$1. The Group makes debt investments or equity investments through special purpose subsidiaries owned by the company.

ABCI Asset Management Limited

ABCI Asset Management Limited was incorporated by the Guarantor as a wholly-owned subsidiary in Hong Kong on 3 January 2011. The company is a limited company (as defined under the Hong Kong Companies Ordinance) and has a current share capital of HK$50 million. The company holds Type 9 and Type 4 licenses valid since 18 October 2012 and 11 November 2013 respectively. ABCI Asset Management Limited offers asset management and securities advisory services.

ABCI Securities Company Limited

ABCI Securities Company Limited was incorporated in Hong Kong on 23 March 1995. In 2010, the ABC Group transferred the company wholly to the Guarantor. The company is a limited company (as defined under the Hong Kong Companies Ordinance) and has a current share capital of HK$2.56 billion

as of the date of this Offering Circular. The company holds Type 1 and Type 4 licenses valid since 29 October 2003 and 15 November 2005 respectively. ABCI Securities Company Limited offers securities trading and securities advisory services.

Smart Huge Investments Limited

Smart Huge Investments Limited was incorporated in Hong Kong on 18 January 1994. In 2010, the ABC Group transferred the company wholly to the Guarantor. The company is a limited company (as defined under the Hong Kong Companies Ordinance) and has a current share capital of HK$428 million. The company is mainly involved in property investment and lease management.

ABCI China Investment Corporation Limited

ABCI China Investment Corporation Limited was incorporated in Beijing on 23 December 2010 by the Guarantor and was directly funded by the Guarantor. The company is a limited liability company and its current registered capital is HK$1.55 billion. As at June 2018, the company has assets under management exceeding RMB 200 billion. With backing from the ABC Group and foreign investment firms as exemplars, ABCI China Investment Corporation Limited aims to become an investment corporation with advanced market awareness, comprehensive service functions, strong professionalism and first-class innovation capabilities by leveraging market and customer resources available to the company.

The company's business scope includes: (1) investing in industries in which foreign investments are permitted under the laws of the PRC, (2) provide the following services for companies investing in other enterprises: 1. assist or act as an agent for the invested enterprises to purchase the machinery and equipment, office equipment and raw materials, components, parts and components needed for the use of said enterprises domestically and overseas, sell the products produced by the invested enterprises domestically and abroad, and provide after-sales services; 2. with the consent and supervision of the foreign exchange administration, balance the foreign exchange among the enterprises that the company has invested in; 3. provide technical support, employee training, internal human resource management and other services required by the invested enterprises for product manufacturing, sales and market development; 4. assist the invested enterprises in getting loans and provide guarantees. (3) establishing scientific research and development centres or departments within the PRC to engage in research and development of new products and new technologies, transfer their research and development results, and provide corresponding technical services. (4) providing advisory services to investors and providing affiliates with related information such as market information, investment policies and other advisory services, and (5) providing outsourced services for foreign companies and their parent companies and affiliates.

ABCI Investment Suzhou Corporation Limited

ABCI Investment Suzhou Corporation Limited was incorporated by ABCI China Investment Corporation Limited through its special purpose subsidiary, ABCI Enterprise Management Limited, in Suzhou, Jiangsu on 17 December 2013. The company is a limited liability company and has a registered capital of RMB600 million. The company's business scope includes: investment management, asset management, investment advisory, financial advisory and industrial investments.

ABCI Guolian Wuxi Investment Management Company Limited

ABCI Guolian Wuxi Investment Management Company Limited was incorporated by ABCI China Investment Corporation Limited through its special purpose subsidiary, ABC Wuxi Investment Advisory Company Limited, in Wuxi, Jiangsu on 30 September 2011 (ABCI China Investment Corporation Limited has a shareholding ratio of 70%; while Wuxi Guolian Capital Management Company Limited has a shareholding ratio of 30%). The company is a limited liability company and has a registered capital of RMB50 million. The company's business scope includes: investment management, business management advisory and foreign investments with own funds.

ABCI Hunan Investment Management Company Limited

ABCI Hunan Investment Management Company Limited was incorporated by ABCI China Investment Corporation Limited through its special purpose subsidiary, ABCI Enterprise Management Company Limited, in Huaihua, Hunan on 24 January 2014 (ABCI China Investment Corporation Limited has a shareholding ratio of 51%, Hunan Huashi Capital Investment Management Company Limited has a shareholding ratio of 29%, Hunan Oriental Kunlun Cultural Communication Company Limited has a shareholding ratio of 10%, Hunan High-tech Venture Capital Group Company Limited has a shareholding ratio of 5%, and Huaihua Urban Construction Investment Company Limited has a shareholding ratio of 5%). The company is a limited liability company and has a registered capital of RMB 10 million. The company's business scope includes: investment management, business management advisory, financial advisory, investment advisory, financial advisory and investments permitted by the laws, regulations and policies of the People's Republic of China (not including finance, securities and futures).

Business Activities

The Group generates its revenue primarily through four principal business areas: (1) corporate finance and underwriting, (2) investment management (3) asset management, and (4) securities brokerage. The Group is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained the following licences from the SFC: Type 1 (Dealing in Securities), 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 operating income by business segment for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December 2018		For the year ended 31 December 2019		For the year ended 31 December 2020	
	Amount (HK$ million)	Percentage (%)	Amount (HK$ million)	Percentage (%)	Amount (HK$ million)	Percentage (%)
Corporate Finance	544	22.81	529	14.64	500	15.81
Securities Brokerage	210	8.80	227	6.28	274	8.66
Investing	1,249	52.37	2,465	68.21	2,016	63.74
Asset Management	144	6.04	141	3.90	170	5.37
Insurance	128	5.37	130	3.60	128	4.05
Others	110	4.61	122	3.37	75	2.37
Total Operating Income	2,385	100.00	3,614	100.00	3,163	100.00

Corporate Finance and Underwriting

The Group has Types 1 and 6 licenses which allow it to advise on corporate finance transactions. The corporate finance team of the Group possesses extensive international financial expertise and experience, having underwritten more than a hundred IPO and bond transaction, enabling the Group to provide the best solutions to meet its clients' financial and advisory needs. The Group provides financing, underwriting and financial advisory services which cover the life cycle of an enterprise's development. The Group and the ABC Group provides clients with comprehensive coverage both within the PRC and internationally. As the ABC Group's sole offshore platform, the Group shares in the ABC Group's client streams, information and product sales and marketing. The Group also has good and communicative relationship with regulatory authorities in Hong Kong and in the PRC, allowing for highly efficient coordination.

The Group has a diverse investor network and is committed to forming strategic partnerships with its clients. In addition to pre-IPO investments, IPOs, block trading and rights offerings, the Group has also ventured into mezzanine financing, tender offers, convertible bonds, exchangeable bonds and other investment products. The Group can also provide customers with a full range of debt financing solutions, including project financing, syndicated loans, mergers and acquisitions financing and structured finance. From traditional corporate loans and bonds to non-recourse project financing, the Group targets to provide customised debt products and structures and devise the best solutions to meet its customers' diverse financing needs.

The total operating income for the corporate finance business for the years ended 31 December 2018, 2019 and 2020 was HK$544 million, HK$529 million and HK$500 million, respectively, which contributed 22.81 per cent.,14.64 per cent. and 15.81 per cent. of the Group's total operating income for the relevant year, respectively.

IPO Sponsorship and Financial Advisory

The Group committed to fostering its IPO sponsorship business to become the core competitive strength of its corporate finance and underwriting business. It is primarily focused on sponsoring relatively more established PRC and Hong Kong companies to qualify for listing on the Main Board of the Stock Exchange. Between 2018 and 2020, the Group acted as a sponsor for several Hong Kong IPOs, with an offering size of HK$75,160.84 million, including several large Hong Kong IPOs such as Shenwan Hongyuan Group Co Ltd IPO with an offering size of HK$9,089.52 million, Bank of Guizhou Co Ltd IPO with an offering size of HK$5,456.00 million, Poly Property Development Co., Ltd IPO with an offering size of HK$4,680.00 million, China Bohai Bank Co,. Ltd IPO with an offering size of HK$15,897.60 million and Evergrande Property Service Group Ltd IPO with an offering size of HK$14,270.27 million.

The Group provides its clients with a variety of financial advisory services including general financial advisory services, local or cross-border M&A advisory services, and debt and equity capital raising advisory services including pre-IPO restructuring and financing advisory. The Group also provides compliance advisory services to listed companies in Hong Kong, assisting with their compliance with the Listing Rules or other Stock Exchange regulations.

Equity Underwriting and Placing

The equity capital markets services of the Group's corporate finance business comprise public offerings (which involve primary and secondary offerings) and private placements. By focusing on the key and high-quality clientele of the ABC Group, the Group has been an active participant in initial public offerings for various industry-leading corporations, and has acted as joint global coordinator, joint bookrunner and joint lead manager. Since its incorporation, the Group has been involved in a number of important equity capital markets projects with large fundraising scale and far-reaching market influence. Between 2018 and 2020, the Group acted as underwriter in several large Hong Kong IPOs, including Xiaomi Corp, China Tower Corp Ltd, Meituan Dianping, ESR Cayman Ltd, and Alibaba Group Holding Limited, NetEase Inc, JD.com Inc, GDS Holdings Ltd, JD Health and Blue Moon Group Holdings Ltd.

The key sources of revenue on equity capital markets transactions are underwriting fees which will depend on the amount of the offering, the size of the IPO, the underwriting contributions and scope of role.

Debt Capital Markets

The debt capital markets services involve underwriting public offerings and private placement of investment-grade and high yield bond issuances and so on. In particular, the Group focuses on corporate and financial institutions based in the PRC and Hong Kong. The fee base business is largely determined by the number of deals led, project size, and the Group's role and contribution in the projects.

From 2018 to 2020, both the number and the role of the bond transactions in which the Group lead managed improved. The Group's debt capital markets business maintains a good momentum and stable growth with strong and healthy pipelines.

In recent years, the Group has actively adapted to the market, consistently enhanced its own business capability and has strived to develop its underwriting business, focusing on but not limited to PRC enterprises' offshore bonds. It has not only achieved solid business growth, but also established a positive reputation and brand for its debt capital markets business.

Investment Management

The Group invests using a variety of methods, including private equity investment, debt investments, preference shares, fund investments and listed securities, to provide enterprises at all stages of development with the funds they need. The Group's investment focus is on the technology, high-end manufacturing, new energy, education, healthcare and consumer industries etc. In terms of geography, the Group's investments are mainly concentrated within the PRC but also span Hong Kong, United States and Europe. Such financing sources are diversified, including from self-owned funds, external investors, and funds from well-known strategic partners. In the process of investing, the Group hopes to cooperate with the top players in the same industry the Group operates in, increasing its brand influence, uncovering potential investment opportunities in high-quality projects and expanding project sources and distribution channels.

The Group's investing business is supported by the ABC Group in the following ways:

- *Authorisation:* the Group is granted the authority to carry out any investing activity as long as it is in compliance with the general authority granted to the Group by the ABC Group annually, the Group's articles and relevant regulations.

- *Client streams:* the Group can collaboratively market to large-scale clients to pursue any potential investment opportunities.

- *Information sharing:* during the period of investment, the Group can leverage the information shared within the ABC group and flexibly allocate resources within the ABC Group to maintain, supervise or value-add any investment account.

The Group carries out the following types of investing:

- *Private equity investment:* the Group invests in non-listed companies using funds or direct investments, leveraging financing flexibility and other resources to help the target company develop and eventually list, thus realising capital gains.

- *M&A and restructuring financing*: the Group participates in M&A and restructuring transactions through equity or debt investments, such as through the use of tender offers, capital injections or backdoor listings.

- *Debt investment:* the Group participates in transactions of different stages and natures through subscribing senior, junior and mezzanine securities to meet customers' domestic and foreign financing needs.

- *Opportunistic investments:* the Group, under the premise of controllable risks, invests in non-performing assets and non-performing debts, ultimately achieving optimal returns through a combination of equity and debt investment and debt restructuring.

- *Investing in listed companies:* the Group invests in high-quality listed companies by participating in the private placement of stocks, options, convertible bonds, exchangeable bonds, etc.

The below table shows the breakdown of the Group's investments by industry for the year ended 31 December 2020:

Industry	Proportion of investments (%)
Real estate	29.29
Finance	24.67
Construction	12.79
Manufacturing	6.50
Infocommunications, software and technical services	5.66
Agriculture, forestry and fishing	4.20
Others	4.04
Utilities – electricity, gas and water production and supply	3.40
Wholesale and retail	2.60
Industrial	2.02
Sanitation and social services	1.44
Fashion	1.38
Transportation, warehousing and postal	1.01
Education	1.00
Total	100

The total operating income from the investment business for the years ended 31 December 2018, 2019 and 2020 was HK$1,249 million, HK$2,465 million and HK$2,016 million, respectively, which contributed 52.37 per cent., 68.21 per cent. and 63.74 per cent. of the Group's total operating income, respectively.

The investment management business is strongly supported by the Head Office. The ABC Group has provided financial support and created opportunities to market the Group's investing business to large corporate clients. The Group also rolls out marketing campaigns targeted at large corporate clients together with the Head Office in order to seize project investment opportunities. In addition, through information sharing and flexible resource allocation with the ABC Group, the Group is able to better serve its clients by providing various value-added services, for example investment services and escrow account services, which in turn allow the Group to generate revenue for the wider ABC Group and promote brand recognition.

Asset Management

The Group has types 4 and 9 licenses and the Guarantor's subsidiary ABCI Asset Management is engaged in the asset management business, which mainly includes diversified asset management products such as special investment accounts, private equity funds, public funds and investment-linked bills. ABCI Asset Management provides customers will a full range of professional investment and investment advisory services.

The ABC Group has quota to allow for the bidirectional flow of capital in and out of the PRC. Together with the Group's professional research team and diverse offering of investment products and channels, the Group is able to provide professional asset management and investment consulting services to its clients. The Group has built a solid client base and trust, with clients ranging from financial institutions, top-of-the-line investment firms, large fund management firms, hedging funds, Hong Kong non-profit organisations, large onshore companies to high net worth individuals hailing from the United States, among other regions.

In addition, the Group has QDII quotas granted by the CSRC, which the Group is able to tap into, allowing the Group to meet its PRC clients' requirements for offshore asset allocation and investment needs. The Group has RQFII and QFII licenses granted by the CSRC, further allowing the Group to meet clients' needs for asset allocation within the PRC. The Group is also part of the first batch of companies to be granted Bond Connect investment qualification.

Consistent with industry norms, the total operating income for the asset management business is primarily derived from management fees and performance fees, each of which is adjusted depending on the specific nature of the fund and client. Other fee basing parameters include liquidity, size, and investment period plus asset class. The total operating income from the asset management business for the years ended 31 December 2018, 2019 and 2020 was HK$144 million, HK$141 million and HK$170 million, respectively, which accounted for 6.04 per cent., 3.90 per cent. and 5.37 per cent. of the Group's total operating income for the relevant year, respectively.

Securities and Brokerage

As a participant of the Hong Kong Stock Exchange, the Group holds types 1 and 4 licenses and provides a full range of securities brokerage services, including trading local stock, ETFs, warrants, CBBCs, bonds and securities in other markets. The Group also offers online stock trading services through its secure and efficient online trading platform.

- *Margin Financing*: The Group leverages the ABC Group's support, offering up to 70 per cent. margin financing on selected blue-chip stocks at competitive rates. The Group also provide clients with up to 90 per cent. financing for applying for quality IPOs to capture global investment opportunities more effectively.

- *Private Placement*: The Group plays a major role as sponsor, bookrunner, coordinator and underwriter in the primary market. As part of its efforts in raising capital through the equity markets for potential pre-IPO companies, the Group also allows its clients access to its professional investors network, while allowing such private investors to invest in such companies.

The total operating income for the securities brokerage business for the years ended 31 December 2018, 2019 and 2020 was HK$210 million, HK$227 million and HK$274 million, respectively, which contributed 8.80 per cent., 6.28 per cent. and 8.66 per cent. of the Group's total operating income for the relevant year, respectively.

The Group also provides research and consulting services. The scope of the Group's research encompasses every major industry including banks, insurance, energy, media, consumer and retail, industrial, manufacturing, high technology, logistics and other industries with an expansive geographical and market coverage. The macroeconomic and industry research reports are produced in both English and Mandarin, making them accessible to investors all over the world. The Group also provides clients with pre-listing research and analysis reports, post-listing long-term as well as regular research reports, meeting clients' needs at every stage. The Group's research team has vast macroeconomic and industry experience, with its key members having at least post-graduate qualifications and a majority having CFA accreditation.

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 of which it is a member.

SFC

Due to the licensing regime of the SFC, in order to engage in the businesses of the Group, such as capital markets and advisory, securities and futures brokerage, and asset management, 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 the 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 SEHK. 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 SEHK, must be admitted and registered as an Exchange Participant (as defined in the SFO) of that exchange.

Insurance Ordinance

The Insurance Ordinance (Cap. 41) of Hong Kong is the main statute governing the insurance sector in Hong Kong. The ordinance regulates the insurance industry, including any intermediaries, provides for the appointment of a commissioner for insurance, who is granted the authority to intervene with insurers and insurance intermediaries, stipulates that insurers and insurance intermediaries have to submit financial statements and other information to the commissioner while providing for the implementation of any relevant subsidiary regulation. The Insurance Authority is the main regulatory body implementing the Insurance Ordinance and its main responsibilities include: (a) authorise insurers to carry on insurance business within Hong Kong, (b) monitor the performance of insurers by reviewing submitted audited financial statements, (c) introduce and implement any subsidiary regulations and directives and (d) issue licenses to insurance agents. Insurance agents are under the purview of the insurance intermediaries' self-regulation mechanism.

Risk Management

The management of the Group manages and monitors exposures to risks associated with the Group's major financial instruments to ensure appropriate measures are implemented on a timely and effective manner. The Group has established horizontal and vertical lines of risk management, with risk management functions centrally managed and individually executed. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management Department

There are three lines of defence – each subsidiary, the risk management and legal and compliance departments, and the internal audit department.

Each subsidiary is responsible for managing all types of risks. The risk management department of each subsidiary is in charge of overall risk testing and management, in particular in relation to managing operational and reputational risks. It identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Front-end offices would place particular emphasis on managing credit and market risks. The risk management, treasury and IT departments, as well as the PRC subsidiaries, would place particular emphasis on managing liquidity and outsourcing risks.

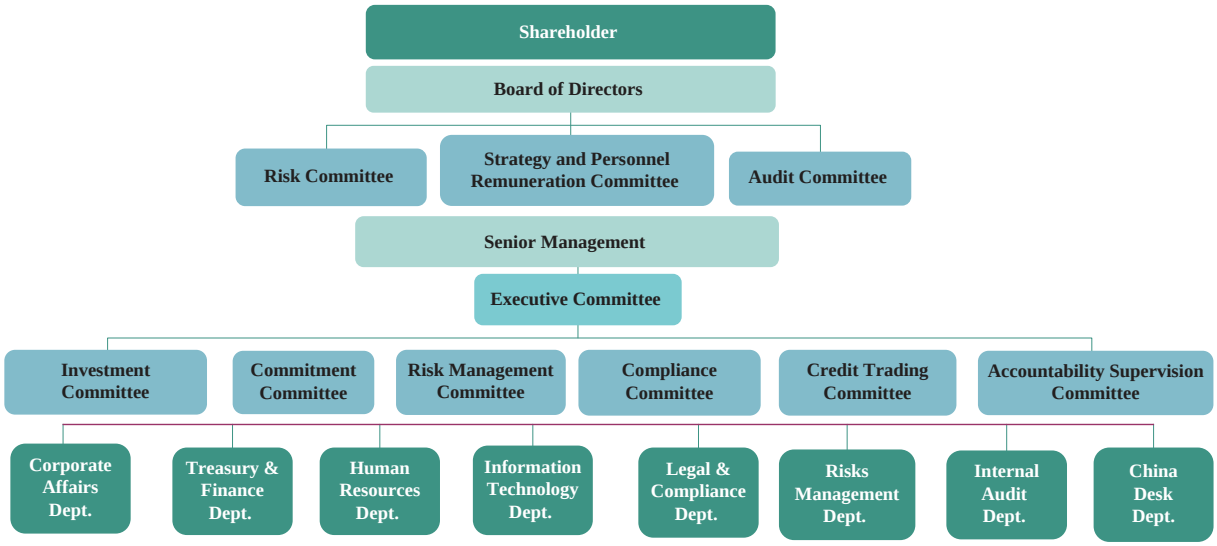
The Group has three independent risk management departments – internal risk management, internal compliance and audit supervision. The Group's Chief Risk Officer heads the internal risk management department, which is in charge of the Group's overall risk management. The Chief Risk Officer reports to both the Guarantor's Board of Directors as well as to the risk management department of the ABC

Group. The risk management department sets out the Group's risk appetites and risk management systems and procedures, while testing and monitoring the different risk indices of the Group. The Groups legal and compliance department executes its compliance management function, ensuring that the Group complies with the relevant SFC licensing requirements as well as the internal management policies and systems of the Group and the larger ABC Group. The internal audit department is independent and reports directly to the Group's audit committee, objectively assessing each line of business operation's compliance with the relevant policies and regulations.

The Group's second line of defence is the middle- and back-end offices, which are staffed with adequate professionals, with each department serving as a check and balance against each other, monitoring each other. Responsibility is carefully allocated to each department and this is set out in the responsibility statements tailor-made by each department and signed off by the head of each department. The third line of defence is the independent internal compliance department, which monitors, inspects and provides feedback on each line of business operation, department, subsidiary and position. The internal compliance department tests and reviews the establishment and execution of internal control mechanisms and provides feedback for improvement.

The Group carries out stress testing, and together with macroeconomic conditions and the Group's performance, determines its risk appetite, setting out risk indices for itself.

The Group has a comprehensive risk testing and reporting system, in which different types of risks are assigned different tests and reporting frequency. If an incident involving material risk arises, it is immediately reported and monitored. The ABC Group also requires the Group to provide a risk management report. In addition to daily risk testing and management, the risk management department has, in response to changes in the Group's operating and regulatory environments, strengthened the Group's risk testing and management in relation to its investing and financing lines of business operation, as well as its subsidiaries.



Credit Risk

The Group's biggest risk is credit risk which stems from its lines of business operations. The Group carries out due diligence checks on borrowers and counterparties, placing particular emphasis on the credit and authenticity of such parties. In terms of structuring the transactions, the Group actively encourages parties to provide securities or to procure third-party guarantees to improve credit. In terms of approving transactions, projects with material risk exposure would require collective approval. Post-transaction, the Group actively carries out its post-transaction responsibilities, including monitoring the relevant industries, economic and market performance and development of the counterparties' business

operations, carrying out onsite inspections and analysing thereafter and establishing special teams to monitor major projects. Other methods the Group uses to manage credit risk include reducing concentration risk, assigning and monitoring credit ratings, setting credit limits and setting provisions.

Market Risk

The main market risks the Group faces include price risk, exchange rate risk and interest rate risk. The Group's strategy in relation to securities investments is to hold the securities to maturity. In relation to margin loans and security mortgages, corresponding limits and ratios are set and are monitored in real time. The Group does not engage in hard underwriting, thereby reducing capital occupancy and market price risk. To reduce exchange rate and interest rate risks, the Group can adjust its debt structure to allow hedging between different currencies and maturities. Other methods the Group uses to manage market risk include monitoring VaR and duration.

Operational Risk

The main operational risks the Group faces include internal procedural risk, employee risk, IT risk and external risk. To manage such risks, the Group has a legal and compliance department which audits the compliance of the Group's business operations and employees and other legal matters. An internal audit is conducted annually, during which the internal rules, systems and processes are reviewed. There is also a business continuity plan in place and emergency drills are conducted annually, thus ensuring the continuity of the Group's operations during an emergency. Other methods the Group uses to manage operational risk include monitoring operational risk indices and self-assessing operational risks.

Liquidity Risk

To manage liquidity risk, the risk management department would determine any course of action only after reporting to senior management for their approval. The determination by the risk management department would be based on the size of the business operation, nature, complexity, liquidity risk appetite and external market developments. The Treasury department would, based similarly on the size, nature, and risk condition of the business operation, test and analyse and forecast possible special events which would affect liquidity and regularly report to senior management regarding liquidity risk. The Treasury department would also analyse an internal or external condition affecting liquidity and liquidity risk indicators to assess the current condition of liquidity and forecast liquidity trends, thus revealing any potential liquidity risks. The Treasury department would then suggest strategies to manage such liquidity risks.

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 and regulated by the Insurance Authority ("**IA**") are obliged to meet regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("**SF(FR)R**"), comply with certain solvency requirements according to the rules of Insurance Ordinance and maintain a minimum paid-up capital at all times. The Group monitors capital on the basis of total equity as shown in the consolidated statement of financial position. 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 305 employees as at 31 December 2020. The Group has maintained good working relationships with its employees and is committed to developing and nurturing the talent of its employees through the provision of appropriate training and seminars and business cooperation.

Information Technology

The Group's information technology ("**IT**") department is responsible for delivering and maintaining secure, reliable and high-quality systems to support the business operations of the Group and the provision of the necessary IT infrastructure based on the business needs and development of the Group. The Group aims to keep its IT systems updated with the goal of achieving higher operational efficiency, provide flexibility for future business needs, respond to market development trends and increase its competitiveness in the markets in which it operates.

Insurance

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as office premise and property damage insurance, employee compensation insurance, personal injury insurance life and personal accident insurance and medical, dental and travel 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.

Legal Proceedings

As at the date of this Offering Circular, there are no current litigation or arbitration proceedings against the Group, which would have a material and 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 would have a material and adverse effect on the Group's business, financial condition or results of operations.

The board of directors of the Guarantor currently consist of five directors, including two executive directors and three non-executive directors. As at the date of this Offering Circular, the members of the board of directors and senior management of the Guarantor are as follows:

Board of Directors

Name	Position
HUANG Haiqin	Chairman and Executive Director
SUN Meiyu	Non-executive Director
WANG Qingshan	Non-executive Director
CAO Yi	Executive Director
LI Qiyun	Non-executive Director
ZHU Hailin	Non-executive Director

Ms. HUANG Haiqin is currently the Chairman of the Board of Directors and CEO of the Guarantor. Concurrently, she is also the Vice Chairman of the Chinese Securities Association of Hong Kong and the Vice Chairman of the Listed Companies Council of the Hong Kong Chinese Enterprises Association. She received her master's degree in business administration from South China University of Technology and is a senior economist. Since joining the ABC Group in September 1991, Ms. Huang successively served in various positions in the ABC Group, including the general manager of the VIP Corporate Banking Department and the Corporate Banking Department of ABC Guangdong Branch, the assistant to the CEO, and the Deputy CEO and the executive director of the Guarantor. Having been involved in the financial industry for over 28 years, Ms. Huang has extensive experience in investment banking and commercial banking.

Ms. SUN Meiyu is currently the non-executive director of the Guarantor. She received her master's degree in economics from Renmin University of China. Since joining the ABC Group in 1988, Ms. Sun successively served in several positions in the ABC Group, including the general manager of the International Department, the general manager of ABC Singapore Branch, the deputy general manager of the Institutional Banking Department, the general manager and the chairman of ABC (UK) Limited.

Mr. WANG Qingshan is currently the non-executive director of the Guarantor. He received his master's degree in financial economics from Nankai University and is a senior economist. Since joining the ABC Group, Mr. Wang successively served in several positions in the ABC Group, including the deputy general manager of the Credit Card Centre, the vice president of ABC Jiangxi branch and ABC Hainan Branch, the president of ABC Guizhou Branch, the general manager of the Asset Management Department.

Mr. CAO Yi is currently the executive director of the Board of Directors and the Deputy CEO of the Guarantor. He received his doctorate in economics from Fudan University. Mr. Cao successively worked in several institutions, including PBOC Guangzhou Branch and PBOC Shenzhen Central Sub-Branch China Southern Asset Management Co., Ltd. and the Vice President of Penghua Fund Management Co., Ltd.

Mr. LI Qiyun is currently the non-executive director of the Guarantor. He received his master's degree in quantitative economics from the Information Department of Renmin University of China and is a senior engineer. He currently works with Central Huijin Investment Ltd. Mr. Li has served as a Non-executive Director of the Bank since June 2018. He previously served as an assistant engineer and engineer at the Computing Centre of the MOF, a deputy director, senior engineer, deputy chief engineer (director level) and deputy general manager (deputy bureau level) of the Information Network Centre of the MOF.

Mr. ZHU Hailin is currently the non-executive director of the Guarantor. He received his doctor's degree in economics from the Chinese Academy of Fiscal Sciences. He is an expert entitled to Government Special Allowance granted by the State Council, a certified public accountant in China (a non-practicing member), and a supervisor for Ph.D. candidates. He currently works with Central Huijin Investment Ltd. and has served as a Non-executive Director of the Bank since June 2020. Since August 1992, he had served successively as the deputy division-chief and division-chief of the Accounting Department of the MOF, and the deputy director of National Accountant Assessment & Certification Centre of the MOF (deputy bureau level). He served as a Non-executive Director of China Construction Bank Corporation in July 2017.

Senior Management

Name	Position
HUANG Haiqin	CEO
CAO Yi	Deputy CEO
RAN Yuhong	Chief Financial Officer and Deputy CEO
ZHAO Wei	Chief Risk Officer and Deputy CEO
WANG Zhe	Deputy CEO

For Ms. HUANG Haiqin's and Mr. CAO Yi's profiles, please see "*Directors and Senior Management – Board of Directors*".

Ms. RAN Yuhong is currently the Chief Financial Officer and Deputy CEO of the Guarantor. She received her master's degree in economics from School of Economics Peking University and is a senior accountant. Previously, she has worked in Fuling District Finance Bureau of Chongqing. Since joining the ABC Group in 1995, Ms. RAN successively served in several positions in the ABC Group, including the deputy director of the Accounting Management Division I and the Accounting Management Division II of the Finance and Accounting Department, the director of the Accounting Management Division II and the Rural Area Accounting Division of the Finance and Accounting Department.

Mr. ZHAO Wei is currently the Chief Risk Officer and Deputy CEO of the Guarantor. He received his master's degree in law from Renmin University of China and is a senior economist. Since joining the ABC Group in 1993, Mr. ZHAO successively served in several positions in the ABC Group, including ABC Trust Investment Co., Ltd., the deputy director of the Supervision Division of the Custody Service Department, the deputy director and the director of the Risk Management Division of the Custody Service Department, the general manager of ABCI Securities Company Limited, the director of the Internal Control Division and the Custody Division of the Custody Service Department.

Mr. WANG Zhe is currently the Deputy CEO of the Guarantor. He received his doctorate in economics from the Research Institute for Fiscal Science of the Ministry of Finance and holds a certificate of associate researcher. Since joining the ABC Group in 2002, he successively served in various positions, including the Assets and Liabilities Management Department, the Finance and Planning Department, the deputy director level secretary of the Secretariat of the Office, the director level secretary of PBOC General Administration Department, and the director of the Financial Planning and Research Division of the PBOC Research Bureau.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular, all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere.

Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

British Virgin Islands

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 Taxation

The following is a discussion on certain British Virgin Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under British Virgin Islands law.

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 Company.

If neither the Company 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, including any premium payable on redemption of the Notes or interest in respect of 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 corporation, 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 (Chapter 117 of the Laws 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).

With effect from 1 August 2021, if stamp duty is payable in respect of the transfer of Registered Bonds it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 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 accurately 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 and include both non-resident enterprises and non-resident individuals. In considering whether to invest in the Notes, investors should consult their individual tax advisers 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. Reference also is made to the avoidance of double taxation arrangement between mainland China and Hong Kong with respect to Hong Kong taxes from the year of assessment beginning on or after 1 April 2007 and with respect to PRC taxes from the taxable year beginning on or after 1 January 2007 pursuant to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Avoidance of Double Taxation Arrangement**").

Enterprise Income Tax

Pursuant to the EIT Law, effective as at 1 January 2008 and further amended on 29 December 2018, and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income sourced from both within and outside PRC.

Taxation on Interest

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes sold by enterprises established within the territory of China to non-resident enterprises (including Hong Kong SAR enterprises) and non-resident individuals (including Hong Kong SAR resident individuals). The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interest paid on the Notes to non-PRC holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of double taxation arrangement between China and Hong Kong will be 7% of the gross amount of the interest pursuant to the Arrangement.

As at the date of this Offering Circular, the Issuer and Guarantor confirm that they have not been treated as a PRC resident enterprise by the PRC tax authorities. As a result, it is expected that, in practice it will not be required to withhold income tax from interest payments to Noteholders. However, there is no assurance that the Issuer and 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 is required under the relevant PRC tax laws to withhold PRC income tax on its interest payable to non-resident enterprise holders of the Notes, the value of investment in the Notes may be materially and adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas if the Issuer is considered a PRC tax resident enterprise.

Taxation on Capital Gains

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax under the IIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. According to the Avoidance of Double Taxation Arrangement, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

VAT

According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the 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. It is further clarified under Circular 36 that the loans refer to the activity of lending capital for another's use and receiving the interest income thereon. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities or the Guarantor makes any payments under the Guarantee to the Noteholders in the event the Guarantor is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer or such payment by the Guarantor to any non-resident Noteholders may be subject to withholding of VAT and related local levies at the rate of 6% approximately. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes or is subject to VAT, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

Stamp Duty

No PRC stamp duty will be imposed on non-resident Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the US Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold 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 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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in an amended and restated dealer agreement (the "**Dealer Agreement**") dated 23 August 2021 (as amended and supplemented or restated from time to time), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "**Forms of the Notes**" and "**Terms and Conditions of the Notes**". The Issuer and the Guarantor will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment, 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 jointly and severally 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.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilisation Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

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).

In addition, the Dealers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor, and/or their respective subsidiaries or affiliates, from time to time, for which they have received customary fees and expenses. The Dealers and their subsidiaries or affiliates

may, from time to time, engage in transactions and perform services for the Issuer, the Guarantor, and/or their respective subsidiaries and affiliates in the ordinary course of their business. In addition, certain of the Arrangers and Dealers, namely ABCI Capital Limited, is a subsidiary of the Guarantor. The net proceeds from each issue of the Notes may be on-lent by the Issuer to the Guarantor and/or any of its subsidiaries, including ABCI Capital Limited.

Selling Restrictions

United States of America

The Notes and the Guarantee of the Notes 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 Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of each Tranche 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.

Index-, commodity- or currency-linked Notes

Each issuance of index-, commodity- or currency-linked Notes shall be subject to additional US selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall offer, sell and deliver such Notes only in compliance with such additional US selling restrictions.

European Economic Area

Prohibition of Sales to EEA Retail Investors

If the relevant Pricing Supplement in respect of any Notes includes a legend entitled "**Prohibition of Sales to EEA Retail Investors**", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 relevant 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 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

If the Pricing Supplement in respect of any Notes specifies "**Prohibition of Sales to EEA Retail Investors**" as "**Not Applicable**", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Member State**"), each Dealer has represented, warranted and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant**

Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Member State:

(b) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(c) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(d) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(e) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional Netherlands Securities Laws

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that any Notes will only be offered in the Netherlands to Qualified Investors (as defined in the Prospectus Regulation), unless such offer is made in accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht).

United Kingdom

Prohibition of Sales to UK Retail Investors

If the relevant Pricing Supplement in respect of any Notes includes the legend "**Prohibition of Sales to UK Retail Investors**", 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, 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 European Union (Withdrawal) Act 2018 ("**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 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.

If the Pricing Supplement in respect of any Notes specifies "**Prohibition of Sales to UK Retail Investors**" as "**Not Applicable**", 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 made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(c) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(d) at any time to any legal entity which is 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;

(e) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(f) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means 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 and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed that:

(a) *No deposit-taking*: in relation to any Notes having 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 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;

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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; and

(c) *General compliance*: 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

Each Dealer has understood, and each further Dealer appointed under the Programme will be required to understand that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, 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 Securities and Futures Ordinance (Cap. 571) of Hong Kong (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 the 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 has represented and agreed 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 (excluding Hong Kong, Macau and Taiwan) except as permitted by applicable laws and regulations of the PRC.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "**SFA**"). 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 such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such 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 such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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 the 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:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

British Virgin Islands

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that no invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for any of the Notes.

General

Each Dealer has agreed, 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 respects with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular, any other offering or publicity material and any applicable Pricing Supplement.

None of the Issuer, the Guarantor, the Fiscal Agent or any of the Dealers 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) as set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1 Listing

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 after from the date of this Offering Circular on the Hong Kong Stock Exchange. Notes may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be listed on the Hong Kong Stock Exchange or admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and the Guarantor. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

2 Authorisation

The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 2 June 2020. The giving of the Guarantee of the Notes was authorised by meetings of the board of directors of the Guarantor held on 5 June 2020 and an approval of the shareholders of the Guarantor obtained on 23 March 2020. Each of the Issuer and the Guarantor has obtained, or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue of the Notes and the performance of their respective obligations under the Notes and the Guarantee of the Notes.

3 Legal and Arbitration Proceedings

None of the Issuer or the Guarantor is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial or trading position or profitability of the Issuer or the Guarantor.

4 Significant/Material Change

Unless otherwise disclosed in this Offering Circular, since 31 December 2020, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position or prospects of the Guarantor and since the date of incorporation of the Issuer, there has been no material adverse change in the financial or trading position or prospects of the Issuer.

5 Auditor

The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, as stated in its reports appearing herein.

6 Documents on Display

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the office of the Guarantor at 16/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong and the specified office of the Fiscal Agent at 25/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong for so long as the Notes are capable of being issued under the Programme:

(i) the memorandum and articles of association of the Issuer and the Guarantor;

(ii) the audited consolidated financial statements as at and for the years ended 31 December 2019 and 31 December 2020, respectively;

(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 and the Fiscal Agent as to its holding of Notes and identity);

(iv) a copy of this Offering Circular together with any Supplement to this Offering Circular;

(v) the Deed of Guarantee;

(vi) the Deed of Covenant;

(vii) the Agency Agreement (which contains the forms of the Notes in global and definitive form); and

(viii) the Programme Manual.

7 Clearing of the Notes

The Notes may be accepted for clearance through Euroclear, Clearstream and CMU. The appropriate CMU instrument number, common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

8 National Development and Reform Commission filings

On 14 September 2015, the National Development and Reform Commission (the "**NDRC**") promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No 2044) (the "**NDRC Circular**") (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), which came into effect on the same day. According to the current interpretation of the NDRC Circular, if a PRC enterprise or an offshore enterprise or branch controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the "**Pre-Issuance Registration Certificate**"). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 working days of the completion of the bond issue (the "**Post-Issuance Filing**"). The Post-Issuance Filing is a procedural matter which involves the reporting of certain post-issuance information by the enterprise to the NDRC rather than a substantive approval process, and failure to complete the Post-Issuance Filing will not adversely affect the validity of the relevant bonds issued by the enterprise from time to time.

Furthermore, the Issuer and the Guarantor believes that a decision by the NDRC not to grant the Pre-Issuance Registration Certificate in respect of any issue of bonds will not adversely affect the validity of any previous issuance of bonds or notes by the relevant enterprise; however, given the fact that neither the NDRC Circular, nor PRC law generally, addresses such matters, it is not possible for the Issuer or the Guarantor to predict with certainty how the NDRC or PRC law may treat such matters in the future.

INDEX TO FINANCIAL STATEMENTS

The Guarantor's Consolidated Financial Statements for the Year Ended 31 December 2020

Independent auditor's report F-7

Consolidated statement of profit or loss and other comprehensive income F-11

Consolidated statement of financial position F-13

Consolidated statement of changes in equity F-15

Consolidated cash flow statement F-17

Notes to the financial statements F-19

The Guarantor's Consolidated Financial Statements for the Year Ended 31 December 2019

Independent auditor's report F-128

Consolidated statement of profit or loss and other comprehensive income F-132

Consolidated statement of financial position F-134

Consolidated statement of changes in equity F-136

Consolidated cash flow statement F-138

Notes to the financial statements F-140

Note:

The Guarantor's consolidated financial statements as of and for the years ended 31 December 2019 and 2020 set forth herein have been reproduced from our annual reports for the year ended 31 December 2019 and 2020 and page references are references to pages set forth in such annual reports.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

	Pages
Report of the directors	1 – 3
Independent auditor's report	4 – 7
Consolidated statement of comprehensive income	8 – 9
Consolidated statement of financial position	10 – 11
Consolidated statement of changes in equity	12 – 13
Consolidated statement of cash flows	14 – 15
Notes to the consolidated financial statements	16 – 119

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of ABC International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2020.

Principal activities

The principal activities of the Company are investment holding and provision of corporate management services. The principal activities of subsidiaries are set out in Note 34(b) to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 8 and 9.

The directors do not recommend the payment of a dividend.

Share issued in the year

There has been no new issue of share capital in the year ended 31 December 2020. Details of the share capital are set out in Note 31 to the consolidated financial statements.

Debentures issued in the year

The Group issued RMB500,000,000 3.8% guaranteed notes at its par value of RMB500,000,000 on 22 June 2020. After deducting the issuance costs, the Group received net consideration of RMB498,700,000 (approximately equivalent to HK$483,816,000) from the issuance. The proceed from the notes issuance is for investing activities of the Group.

The Group issued USD450,000,000 1.5% guaranteed notes at a discounted value of USD448,780,500 on 15 July 2020. After deducting the issuance costs, the Group received net consideration of USD447,426,577 (approximately equivalent to HK$3,487,667,000) from the issuance. The proceed from the notes issuance is for investing activities of the Group.

The Group issued USD800,000,000 1.65% guaranteed notes at a discounted value of USD796,608,000 on 3 September 2020. After deducting the issuance costs, the Group received net consideration of USD794,843,804 (approximately equivalent to HK$6,200,181,000) from the issuance. The proceed from the notes issuance is for investing activities of the Group.

(a) Directors of the Company

The directors during the year and up to the date of report were:

Huang Haiqin (黃海琴)
Cao Yi (曹毅)
Sun Meiyu (孫梅玉)
Wang Qinshan (王青山)
Zhu Hailin (朱海林) (Appointed on 24 July 2020)
Li Qiyun (李奇雲) (Appointed on 24 July 2020)
Xu Jiandong (徐建東) (Resigned on 30 June 2020)

(a) Directors of the Company (Continued)

Xu Jiandong resigned as a director of the Company on 30 June 2020. He has confirmed that he has no disagreement with the boards of directors of the Company and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

In accordance with the provisions of the Company's Articles of Association, all remaining directors shall retire and being eligible offer themselves for re-election.

(b) Directors of the Company's subsidiaries

The following is the list of directors of the Company's subsidiaries during the year and up to the date of this report (unless otherwise stated).

Huang Haiqin (黃海琴) (Note i)	Cao Yi (曹毅) (Note i)	Tang Wei (湯巍)
Wang Zhe (王哲)	Zhu Feng (祝峰)	Ma Hok Ming (馬學銘)
Luo Pei (羅培)	Wu Liyun (吳麗芸)	Zuo Yan (左燕)
Chan Sung Yan (陳宋恩)	Hui Xiaobing (惠小兵)	Zhu Bing (朱冰)
Shen Guangping (沈廣平)	Yang Xiuke (楊秀科)	Dong Wei (董煒)
Ng Siu Hon Timmy (吳小翰)	Lee Oi Lin (李愛蓮)	Yang Raorao (楊嬈嬈)
Peng Ching (彭程)	Lee Yat Chun (李逸俊) (Note ii)	Huang Ying (黃英)
Wu Yongdong (吳永東)	Chang Michael Ming Yuen (張明遠)	Leung Yi Hang (梁以恒)
Bai Yungang(白雲罡)	Jin Wenhua (金文華)	Zhong Chengzhi (鍾承智)
Shao Xiao (邵校)	Zhu Ming (朱明)	Hua Xiaofeng (華小峰)
Ma Yongqiang (馬永強)	Jin Ping (金平)	He Hualiang (何華梁)
Li Jianping (李建平)	He Qiming (何啟明)	Peng Changhong (彭長虹)
Liu Liang (劉亮)	Liu Qianqian (劉倩倩)	Xu Man (徐曼)
Ming Liang (明亮)	Tse Sing Tung Tony (謝聲桐)	Liu Zhengyi (劉正一)
Liu Guojian (劉國建)	Yao Hu (姚琥)	Jia Yong (賈勇)
Cheng Kin Man (鄭健民)		

Notes:
(i) Member of the board of the Company
(ii) No longer a director of any subsidiaries of the Company as at the date of this report

Lee Yat Chun resigned as a director of the Company's subsidiary on 8 January 2021. He has confirmed that he has no disagreement with the boards of directors of the Company's subsidiaries and nothing relating to the affairs of the Company's subsidiaries needed to be brought to the attention of the shareholders of the Company.

In accordance with the provisions of the Company's subsidiaries' Articles of Association, all remaining directors shall retire and being eligible offer themselves for re-election.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which 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' interests, underlying shares and debentures of the Company or specified undertakings of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures, of the Company or its specified undertakings.

Management contracts

There exists an agreement (the "Agreement") for management services, in respect of which Agricultural Bank of China Limited (the "Bank", the immediate holding company of the Company) provides services to ABCI Insurance Company Limited ("ABCI Insurance", a subsidiary of the Company) under which a nominal fee is payable by the Company. The Agreement was entered into by the Bank and the Company on 22 August 2014 and under the Agreement, the Company authorises the Bank to exercise all the rights of the Company as the sole shareholder of ABCI Insurance. The Agreement can be terminated by either party giving not less than 30 days' notice of termination.

Business review

No business review is presented for the year ended 31 December 2020 as the Company has been able to claim an exemption under section 388(3)(b) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of Agricultural Bank of China Limited.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, will not, offer themselves for re-appointment.

On behalf of the Board

Huang Haiqin
Director

Hong Kong, 1 JUN 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of ABC International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 119, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of the Directors, 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 Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the 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.

The Audit Committee is 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. We report 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.

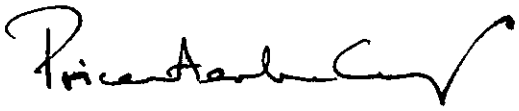
As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.
- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 the Audit Committee 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 June 2021

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Revenue			
Revenue from brokerage, corporate finance, investment, asset management and property investment	5(a)	1,502,859,716	1,647,549,873
Interest income	5(b)	830,998,317	797,457,204
		2,333,858,033	2,445,007,077
Revenue from insurance business			
Gross insurance premiums written		256,470,005	244,234,113
Reinsurance premiums ceded		(218,666,504)	(200,593,900)
Change in net unearned premiums		485,339	503,640
Net insurance premium income		38,288,840	44,143,853
Reinsurance commission income		83,220,623	79,953,319
Insurance brokerage income		6,802,543	6,099,203
		128,312,006	130,196,375
Total revenue		2,462,170,039	2,575,203,452
Other income	6	76,094,797	95,069,315
Other gains and losses	7	625,228,912	943,767,274
Total operating income		3,163,493,748	3,614,040,041
Net claims incurred	8	(28,318,663)	(36,736,655)
Insurance commission expenses		(85,338,832)	(80,565,882)
Staff costs	9(a)	(365,338,144)	(333,263,008)
Impairment reversal/(charges)			
-financial assets at fair value through other comprehensive income	15	(7,994,359)	(2,093,108)
-financial assets at amortised cost	16	(308,119,439)	(386,709,940)
-account and trade receivables		69,032	12,715,932
-other receivables and deposits	20	(82,637,554)	(22,782,512)
Other operating expenses		(300,151,885)	(136,713,636)
Total operating expenses		(1,177,829,844)	(986,148,809)

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Operating profit		1,985,663,904	2,627,891,232
Finance costs	10	(905,031,366)	(1,045,203,600)
Profit before income tax	11	1,080,632,538	1,582,687,632
Income tax expense	12	(303,119,278)	(208,763,660)
Profit for the year		777,513,260	1,373,923,972
Profit attributable to:			
Owners of the Company		773,456,562	1,363,344,129
Non-controlling interests		4,056,698	10,579,843
		777,513,260	1,373,923,972
Other comprehensive income /(loss):			
Items that may be reclassified to profit or loss			
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax		43,540,645	15,898,003
Gains/(losses) on cash flow hedges		25,430,516	(25,047,106)
Exchange reserve movement		240,621,018	(77,738,840)
		309,592,179	(86,887,943)
Items that will not be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax		248,455,719	8,214,786
Other comprehensive income/(loss) for the year		558,047,898	(78,673,157)
Total comprehensive income for the year		1,335,561,158	1,295,250,815
Total comprehensive income attributable to:			
Owners of the Company		1,329,979,638	1,286,659,834
Non-controlling interests		5,581,520	8,590,981
		1,335,561,158	1,295,250,815

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Assets			
Property and equipment	13 (a)	75,546,387	70,701,810
Right-of-use assets	13 (b)	123,634,797	93,593,906
Investment properties	14	301,794,879	305,682,029
Deferred tax assets	12	195,490,304	185,098,943
Financial assets at fair value through other comprehensive income	15	6,191,827,691	1,728,736,326
Reinsurance assets	18	364,116,440	329,866,736
Statutory deposits		6,685,178	3,477,465
Financial assets at amortised cost	16	5,786,887,753	8,153,723,802
Amount due from certain branches of the immediate holding company	17	224,534,122	233,533,656
Financial assets at fair value through profit or loss	21	19,519,223,304	20,529,977,664
Account and trade receivables	19	3,753,079,135	2,231,156,772
Other receivables, deposits and prepayments	20	202,356,732	454,162,377
Tax recoverable		7,283,231	2,746,806
Financial assets held under resale agreements	22	514,234,114	283,998,422
Deposits with brokers		160,218,189	2,903,497
Fixed deposits	23	129,677,467	145,124,980
Bank balances and cash			
- general accounts	23	3,379,466,474	3,624,352,829
- segregated accounts	23	1,780,769,054	766,326,107
- cash in hand	23	-	42,108
Total assets		42,716,825,251	39,145,206,235
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	31	4,113,392,450	4,113,392,450
Retained earnings		5,471,728,418	4,707,715,165
Revaluation reserve		225,071,436	(92,355,444)
Exchange reserve		(105,699,785)	(343,720,307)
Merger reserve		(317,492,450)	(317,492,450)
Statutory reserve		107,791,891	97,272,908
		9,494,791,960	8,164,812,322
Non-controlling interests		93,504,695	70,785,266
Total equity		9,588,296,655	8,235,597,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Liabilities			
Trade payables	26	1,900,617,620	1,002,017,355
Other payables and accruals		845,027,196	909,304,421
Financial liabilities at fair value through profit or loss	21	-	364,408,753
Contract liabilities		23,065,580	16,172,039
Net assets attributable to the non-controlling interest of investment funds		43,985,955	43,401,384
Amounts due to a fellow subsidiary	17	59,407,823	55,817,300
Amount due to a branch of the immediate holding company	17	-	32,254,165
Financial assets sold under repurchase agreements	29	-	334,903,800
Derivative financial instruments	30	32,683,691	58,114,207
Borrowings	27	9,378,576,232	13,868,561,354
Lease liabilities	13 (b)	122,609,280	91,566,318
Unearned premiums	25	85,981,806	81,165,728
Outstanding claims	24	361,632,895	322,223,353
Provision for unexpired risk		2,839,000	1,267,000
Tax liabilities		144,843,213	232,565,372
Deferred tax liabilities	12	146,889,535	84,284,291
Notes issued	28	19,980,368,770	13,411,581,807
Total liabilities		33,128,528,596	30,909,608,647
Total equity and liabilities		42,716,825,251	39,145,206,235

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 8 to 119 were approved by the Board of Directors on - 1 JUN 2021 and were signed on its behalf:

Huang Haiqin
Director

Cao Yi
Director

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to Company's owners								
	Share capital HK$	Revaluation reserve HK$ (note c)	Merger reserve HK$ (note a)	Exchange reserve HK$	Statutory reserve HK$ (note b)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total HK$
Balance at 1 January 2019	4,113,392,450	(115,682,099)	(317,492,450)	(243,709,357)	64,625,780	3,377,018,164	6,878,152,488	147,844,710	7,025,997,198
Profit for the year	-	-	-	-	-	1,363,344,129	1,363,344,129	10,579,843	1,373,923,972
Other comprehensive income									
Changes in fair value of equity investments at fair value through otber comprehensive income, net of deferred tax	-	8,214,786	-	-	-	-	8,214,786	-	8,214,786
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax	-	15,898,003	-	-	-	-	15,898,003	-	15,898,003
Changes in fair value of derivatives	-	(25,047,106)	-	-	-	-	(25,047,106)	-	(25,047,106)
Exchange differences on translating foreign operations	-	24,260,972	-	(100,010,950)	-	-	(75,749,978)	(1,988,862)	(77,738,840)
Total comprehensive income for the year	-	23,326,655	-	(100,010,950)	-	1,363,344,129	1,286,659,834	8,590,981	1,295,250,815
Transfer from reserve	-	-	-	-	32,647,128	(32,647,128)	-	-	-
Distribution of non-controlling interests	-	-	-	-	-	-	-	(85,605,234)	(85,605,234)
Distribution of dividends	-	-	-	-	-	-	-	(45,191)	(45,191)
Balance at 31 December 2019	4,113,392,450	(92,355,444)	(317,492,450)	(343,720,307)	97,272,908	4,707,715,165	8,164,812,322	70,785,266	8,235,597,588

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to Company's owners								
	Share capital HK$	Revaluation reserve HK$ (note c)	Merger reserve HK$ (note a)	Exchange reserve HK$	Statutory reserve HK$ (note b)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total HK$
Balance at 1 January 2020	4,113,392,450	(92,355,444)	(317,492,450)	(343,720,307)	97,272,908	4,707,715,165	8,164,812,322	70,785,266	8,235,597,588
Profit for the year	-	-	-	-	-	773,456,562	773,456,562	4,056,698	777,513,260
Other comprehensive income									
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax	-	248,455,719	-	-	-	-	248,455,719	-	248,455,719
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax	-	43,540,645	-	-	-	-	43,540,645	-	43,540,645
Changes in fair value of derivatives	-	25,430,516	-	-	-	-	25,430,516	-	25,430,516
Exchange differences on translating foreign operations	-	-	-	238,020,522	1,075,674	-	239,096,196	1,524,822	240,621,018
Total comprehensive income for the year	-	317,426,880	-	238,020,522	1,075,674	773,456,562	1,329,979,638	5,581,520	1,335,561,158
Transfer from reserve	-	-	-	-	9,443,309	(9,443,309)	-	-	-
Contribution of capital from non-controlling interests	-	-	-	-	-	-	-	31,010,355	31,010,355
Distribution of non-controlling interests	-	-	-	-	-	-	-	(3,445,645)	(3,445,645)
Distribution of dividends	-	-	-	-	-	-	-	(10,426,801)	(10,426,801)
Balance at 31 December 2020	4,113,392,450	225,071,436	(317,492,450)	(105,699,785)	107,791,891	5,471,728,418	9,494,791,960	93,504,695	9,588,296,655

Notes:

(a) Merger reserve represents the difference between the nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisitions of subsidiaries pursuant to group reorganisation in 2010.

(b) Pursuant to the Company Law of the People's Republic of China ("PRC"), 10% of the net profit of the Group's subsidiaries in China, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Group's subsidiaries in China. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Group's subsidiaries articles of association or approved by the shareholders in a shareholders' general meeting.

(c) As at 31 December 2020, revaluation reserve includes cash flow hedge amounted to HK$32,683,691 (2019: HK$58,114,207) and fair value through other comprehensive income amounted to HK$192,387,745 (2019: HK$34,241,237).

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Cash flows from operating activities			
Profit before income tax		1,080,632,538	1,582,687,632
Adjustments for:			
Impairment reversal		398,682,320	398,869,628
Amortisation of financial assets at fair value through other comprehensive income		-	820,153
Interest income		(853,940,961)	(860,573,752)
Interest expenses	10	905,031,366	1,045,203,600
Depreciation of property and equipment	11	6,017,760	8,795,162
Depreciation of investment properties	11	3,887,150	3,887,150
Depreciation of right-of-use assets	11	57,339,559	30,997,145
Dividend income	5(a)	(717,942,680)	(882,293,154)
Foreign exchange difference	11	94,711,110	(111,600,169)
Net realised gain on investments		(278,316,790)	(86,401,661)
Net unrealised gain on investments	7	(287,951,416)	(551,938,427)
Operating cash flows before movements in operating assets and liabilities		408,149,956	578,453,307
Change in reinsurance assets		(34,249,704)	29,012,554
Change in statutory deposits		(3,207,713)	(127,146)
Change in account and trade receivables		(1,521,853,331)	999,809,803
Change in other receivables, deposits and prepayments		207,415,798	(479,996,827)
Change in deposit with brokers		(157,314,692)	(2,859,702)
Change in fixed deposits with original maturity over three months		15,447,513	(54,360,573)
Change in bank balances - segregated accounts		(1,014,442,947)	346,163,487
Change in outstanding claims		39,409,542	(475,765)
Change in unearned premiums		4,816,078	(7,430,050)
Change in provision for unexpired risk		1,572,000	439,000
Change in trade payables		898,600,265	(439,621,982)
Change in other payables and accruals		(65,369,820)	(229,220,942)
Change in financial liabilities at fair value through profit or loss		(364,408,753)	364,408,753
Change in financial assets at fair value through profit or loss		192,240,740	-
Change in contract liabilities		6,893,541	11,225,844
Change in net assets attributable to the non-controlling interest of an investment fund		584,571	7,583,232
Change in amount due from certain branches of the immediate holding company		8,999,534	(1,405,394)
Cash (used in)/generated from operations		(1,376,717,422)	1,121,597,599
Interest received from margin financing	5(b)	190,954,374	164,457,363
Interest element of lease liabilities	10	(4,065,057)	-
Cash paid for leased assets		-	(34,462,001)
Bank and other interest received	6	20,192,359	61,099,742
Interest paid		(847,731,172)	(433,020,938)
Income tax paid		(460,981,259)	(227,332,009)
Net cash (outflow)/inflow from operating activities		(2,478,348,177)	652,339,756

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Cash flows from investing activities			
Increase in financial assets held under resale agreements		(230,235,692)	(267,018,280)
Purchase of property and equipment		(10,559,513)	(9,589,037)
Purchase of financial assets at fair value through profit and loss		(3,893,720,797)	(8,833,765,521)
Proceeds from disposal of financial assets at fair value through profit and loss		5,573,073,871	10,359,870,553
Purchase of financial assets at fair value through other comprehensive income		(4,242,644,199)	(469,595,313)
Proceeds from disposal of financial assets at fair value through other comprehensive income		237,748,273	179,184,837
Repayment received from financial assets at amortised cost		4,463,709,706	3,708,864,624
Payments for financial assets at amortised cost		(2,360,449,369)	(3,044,368,348)
Interest received from investments		873,148,599	915,040,595
Dividend received		730,057,679	781,510,525
Net cash inflow from investing activities		1,140,128,558	3,320,134,635
Cash flows from financing activities			
Proceeds from issuance of guaranteed notes	37	10,171,664,641	-
Repayment of senior notes issued	37	(3,875,000,000)	(3,893,925,000)
(Decrease)/increase in financial assets sold under repurchase agreements	37	(334,903,800)	111,634,600
Proceeds from borrowings	37	6,049,337,742	9,830,908,718
Repayment of borrowings	37	(10,877,402,355)	(11,431,961,155)
Principal portion of lease payments	37	(56,708,933)	-
Contribution from/(distribution to) non-controlling interests		27,564,710	(85,605,234)
Distributions of dividends to non-controlling interests		(10,426,801)	(45,191)
Change in amounts due to a branch of the immediate holding company		(32,254,165)	(23,595,497)
Change in bank balances - restricted bank deposits		-	91,303,360
Net cash inflow/(outflow) from financing activities		1,061,871,039	(5,401,285,399)
Net decrease in cash and cash equivalents		(276,348,580)	(1,428,811,008)
Cash and cash equivalents at the beginning of the year		3,624,394,937	5,087,738,943
Exchange gain/(loss) on cash and cash equivalents		31,420,117	(34,532,998)
Cash and cash equivalents as at the end of the year	23	3,379,466,474	3,624,394,937
Analysis of the balances of cash and cash equivalents			
Bank balances			
- general accounts	23	3,379,466,474	3,624,352,829
- cash in hand	23	-	42,108
	23	3,379,466,474	3,624,394,937

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

ABC International Holdings Limited (the "Company") is a private limited company incorporated in Hong Kong. Its immediate holding company is Agricultural Bank of China Limited (the "Bank"), a bank incorporated in the People's Republic of China (the "PRC") and listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, the PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorised by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

The principle activities of the Company and its subsidiaries (together "the Group") include investment holding, corporate management services, securities brokerage services, asset management, insurance, financial consultancy service, property investment, fund management and other financial services.

The address of the registered office and principal place business of the Company is 16/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, which is the functional currency and presentation currency of the Company, and the presentation currency of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Definition of Material – amendments to HKAS 1 and HKAS 8
Definition of a Business – amendments to HKFRS 3
Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
Revised Conceptual Framework for Financial Reporting
Covid-19-related Rent Concessions - amendment to HKFRS 16

Interest Rate Benchmark Reform

Interest rate benchmark reform is the market-wide initiative to replace or reform interbank offered rates ("IBORs") that are commonly used to determine interest cash flows on financial instruments such as debt securities and derivatives. The objective of the reform is to replace IBORs with alternative risk-free interest rates ("RFRs") that are based on actual market transactions. Consequently, financial contracts which currently make reference to IBORs may need to be amended such that they will make reference to the alternative RFRs in the applicable currency going forward. Amendments to HKFRS 9, HKAS 39 and HKFRS 7 modify some specific hedge accounting requirements to provide relief (the "temporary relief") from the potential effects of the uncertainties caused by the interest rate benchmark reform.

Significant judgements are required in determining when uncertainty is expected to be resolved and when the temporary relief will cease to apply. As at 31 December 2020, there is still uncertainty on the reform of IBORs, and the Group has applied the temporary relief on all its hedge accounting relationships based on reference benchmarks that are subject to the IBORs reform or replacement. The Group continues to closely monitor the market progress on the transition of IBORs to RFRs.

The Group has an outstanding interest rate swap which is exposed to US Dollar London Interbank Offered Rate ("LIBOR"). The interest rate swap is designated as a hedging instrument of one Group's floating rate financial instrument including senior note issued. The notional amount of the interest rate swap designated is subject to a hedge relationship and the temporary relief as at 31 December 2020 is approximately USD200,000,000 (approximately equivalent to HK$1,550,520,000).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions, except the following set at below:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and with comparative figures required.

HKFRS 17 Insurance Contracts

HKFRS 17 was issued in May 2017 as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the consolidated statement of comprehensive income or directly in other comprehensive income, the choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin, the results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The HKICPA issued the amendments to HKFRS 17: Insurance contracts on 25 June 2020, together with an amendment to HKFRS 4, so that eligible insurers can still apply HKFRS 9 alongside HKFRS 17. This concluded the HKICPA's targeted amendments to HKFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying HKFRS 17. HKFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

The amendments to HKFRS 17 affect all companies that issue insurance contracts in all jurisdictions that apply HKFRS standards, including entities outside the insurance industry that issue such contracts. The amendments to HKFRS 17 include:

- Effective date
- Expected recovery of insurance acquisition cash flows
- Contractual service margin attributable to investment services
- Reinsurance contracts held – recovery of losses

The Group is currently assessing the impact of the standard upon adoption.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control.

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Generally investments in associates and joint ventures are accounted for using the equity method of accounting. However, Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" permits the associate and joint ventures to be measured at fair value through profit or loss and accounted for in accordance with HKFRS 9, "Financial Instruments" when the investment in the associate or joint venture is held by, or is held indirectly through, venture capital organisations, or mutual funds, unit trusts and similar entities.

Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the associate or the joint venture and the Group's share of the net fair value of the associate or the joint venture's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Under fair value measurement basis, the investment is classified as fair value through profit or loss instead of as an associate or a joint venture. Furthermore, the change in fair value is recognised in the consolidated statement of comprehensive income in the period of change. Further details of classification and measurement of financial assets are detailed in Note 2.13.

2 Summary of significant accounting policies (Continued)

2.4 Revenue recognition

HKFRS 15 introduces a 5-step approach when recognising revenue from contracts with customers:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

HKFRS 15 affects the Group in respect of revenue recognition on contracts with customers. HKFRS 15 provides guidance in relation to revenue recognition which emphasises that revenue can only be recognised upon performance obligations is satisfied. Brokerage, sponsorship fee income and other corporate financial services related fee income are recognised when the Group has satisfied its performance obligation under the relevant contract which therefore affect the timing of recognition of revenue.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or 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.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

2 Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Contract asset is presented as account and trade receivables on the consolidated statement of financial position.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Description of the Group's performance obligation of major revenue stream under the scope of HKFRS 15 are as follows:

(1) Commission income from brokerage and dealing activities

The Group is engaged in the brokerage and dealing activities under Type 1 and Type 4 licenses. 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. The Group also provides custodian and handling services for customer accounts. Fee income is recognised when the transaction is executed and service is performed, except for custodian service fee which is recognised over time.

(2) Sponsorship fee income and other corporate financial advisory services

The Group provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should normally be accounted for as a single performance obligation subject to the agreed terms which may vary by contracts. As there is legally enforceable right to payment for the Group for the performance of services completed up to date based on the contracts with customers regarding sponsor or corporate advisory services, the revenue is recognised over time based on the stage of completion of the contract or the services transferred to customers up to date.

(3) Placing, underwriting and sub-underwriting services

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets. Revenue is recognised when the relevant placing, underwriting and sub-underwriting activities are completed. Accordingly, the revenue is recognised at a point in tiine.

2 Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Description of the Group's performance obligation of major revenue stream under the scope of HKFRS 15 are as follows: (Continued)

(4) Asset management

The Group provides asset management services based on customer's investment portfolios. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage of the net asset value of the investment portfolios under management of the Group.

(5) Insurance brokerage income

Income relating to insurance broking is brought into account when the policy placement has been completed and confirmed. Revenue from providing services is recognised at a point in time in the accounting period in which the services are rendered.

Other revenue stream not under the scope of HKFRS 15 are as follows:

(1) Premiums written on direct insurance business and inward reinsurance business

Premium income and reinsurance premium income is recognised when all of the following criteria are met:

- the insurance contracts are issued;
- the related insurance risk is undertaken by the Group;
- it is probable that the related economic benefits will flow to the Group; and
- the related income can be reliably measured.

Premiums from direct insurance contracts are recognised as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

(2) Commission income from reinsurance transactions

Commission income from reinsurance transactions is recognised on accrual basis when the related insurance contracts are accepted by the reinsurers.

2 Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Other revenue stream not under the scope of HKFRS 15 are as follows: (Continued)

(3) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(4) Rental income

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(5) Dividend income

Dividend income from investments is recognised only when (i) the shareholders' rights to receive payment have been established, (ii) it is probable that the economic benefits will flow to the Group and (iii) the amount of revenue can be measured reliably.

2.5 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency, and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit or loss.

Foreign exchange gains and losses are included in profit or loss.

2 Summary of significant accounting policies (Continued)

2.5 Foreign currencies (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as fair value through other comprehensive income are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

2.6 Property and equipment

Land and buildings comprise mainly residential buildings and offices. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2%
Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicle	20%
Computer and equipment	20% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation. The depreciation policy of the leasehold land and buildings of investment properties is the same as that of property and equipment (Note 2.6).

At the end of the reporting period, the Group reviews the carrying amounts of its investment properties to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the property is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of a property is estimated to be less than its carrying amount, the carrying amount of the property is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the investment property 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 property in prior years. A reversal of an impairment loss is recognised as income immediately.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in the profit or loss for the year.

2.8 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 Summary of significant accounting policies (Continued)

2.8 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies (Continued)

2.8 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.9 Employee benefits

(i) Obligations for contributions to defined contribution retirement schemes, including contribution payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit or loss as incurred.

(ii) The Group is obliged to make payment on post-employment benefits and lump sum long service amounts on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group under the Hong Kong Employment Ordinance. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Hong Kong Mandatory Provident Fund Schemes.

(iii) The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the owners of the Company after certain adjustments.

2 Summary of significant accounting policies (Continued)

2.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.11 Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

2.12 Taxation

The income tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies (Continued)

2.12 Taxation (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost (AC).

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

2 Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as disclosed in note 3.1 (b). Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

  The Group's financial assets measured at amortised cost comprise, 'financial assets at amortised cost', 'account and trade receivables', 'fixed deposits', 'statutory deposits', 'amount due from certain branches of the immediate holding company', 'financial assets held under resale agreements', 'other receivables and deposits', 'deposits with brokers' and 'bank balances and cash' in the consolidated statement of financial position.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

2.13.3 Measurement (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for AC or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.14 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and financial assets at fair value through other comprehensive income (debt instruments). The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.1(b) provides more details of how the expected credit loss allowance is measured.

2 Summary of significant accounting policies (Continued)

2.15 Financial liabilities

Financial liabilities at amortised costs including trade payables, other payables, amounts due to a fellow subsidiary, amount due to a branch of the immediate holding company, financial assets sold under repurchase agreement, borrowings, lease liabilities and notes issued are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the profit or loss. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading or it is designated as at fair value through profit or loss.

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 Company 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 may be designated as at fair value through profit or loss 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 Company'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 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are initially recognised at fair value and subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

For financial liabilities that are designated as at fair value through profit or loss, 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.

Financial liabilities are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

2 Summary of significant accounting policies (Continued)

2.16 Participating shares issued by investment funds consolidated by the Group

The Group classifies financial instruments issued by investment funds (the "Funds") as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

When the Group determines whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) A non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) A derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the issuer's own equity instruments do not include instruments that have all the features and meet the conditions described, or instruments that are contracts for the future receipt or delivery of the issuer's own equity instruments.

2 Summary of significant accounting policies (Continued)

2.17 Insurance contracts

Classification

The Group issues contracts that transfer insurance risk. A contract under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

Recognition and measurement

The insurance contracts issued by the Group are general insurance contracts. For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premiums liability. Premiums are shown before deduction of commission and duties levied on premiums, and gross of any taxes.

Insurance debtors are recognised when the risk is accepted and measured upon initial recognition at the fair value of the consideration. Subsequent to initial recognition, insurance debtors are measured at amortised cost, less any identified impairment losses. The carrying value of insurance debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The accounting policy on impairment of insurance debtors is similar to that on impairment of certain financial assets. The carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. When an insurance debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Claims losses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated on individual cases reported to the Group and management's analyses for claims incurred but not reported.

Provision of unexpired risk represents the excess of the estimated value of claims and related claims handling costs likely to arise after the end of the reporting period from contracts concluded before that date over and above the provision for unearned premiums relating to those contracts. The amount of provision is made for each class of business individually.

2 Summary of significant accounting policies (Continued)

2.17 Insurance contracts (Continued)

Liability adequacy test

At the end of the reporting period, the Group assesses its recognised insurance liabilities to determine whether they are adequate, using current estimates of future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is charged in the profit or loss immediately.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts assumed by the Group and those meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Assets, liabilities and income and expenses arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expenses of the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premiums and claims recovery are recognised on a gross basis. Reinsurance commissions recoverable are recognised as income in the consolidated statement of comprehensive income, when the related reinsurance contracts are accepted by the reinsurers.

Premiums ceded to reinsurers are recognised as an expense on a basis that is consistent with the recognition basis for the gross premiums written on the related insurance contracts. Premiums ceded to reinsurers are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpired portion of premiums ceded to reinsurers is included in the reinsurance assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long-term receivables that are dependent on the expected claims and benefits arising under related reinsured insurance contracts. Amount recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets and the carrying amount is reduced through the use of an allowance account similar to insurance debtors.

2 Summary of significant accounting policies (Continued)

2.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor. Financial guarantees are initially recognised as financial liabilities and reported under "other payables and accruals" in the consolidated financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determine based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recoguised as part of the cost of the investment.

2.19 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments desiguated in hedge relationships are disclosed in Note 30. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 Summary of significant accounting policies (Continued)

2.19 Derivatives and hedging activities (Continued)

Cash flow hedge that quantify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/losses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3 Financial risk management

3.1 Financial risk factors

The Group's major financial instruments include financial asset at fair value through other comprehensive income, financial assets at fair value through profit and loss, amount due from certain branches of the immediate holding company, statutory deposits, deposits with brokers, other receivables and deposits, account and trade receivables, financial assets held under resale agreements, bank balances and cash, fixed deposits, financial assets at amortised cost, borrowings, trade payables, other payables, financial assets sold under repurchase agreements, amounts due to a fellow subsidiary, amount due to a branch of the immediate holding company and guaranteed notes issued. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Risk Management Department of the Group ("Risk Management Department") under policies approved by the Board of Directors. Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group's principal operations are transacted and recorded in Hong Kong dollar, US dollar, Euro and Renminbi. The Group is not exposed to material foreign exchange risk from US dollar, because HK dollar is pegged with US dollar. The Group is mainly exposed to the foreign exchange risk arising from Renminbi and Euro. The carrying amounts of the Group's assets and liabilities denominated in Renminbi and Euro arising from the Hong Kong and non-PRC operations at the end of the reporting period are as follows.

	Foreign currency	2020 HK$ equivalent	2019 HK$ equivalent
Assets (excluding PRC subsidiaries)	Renminbi	908,185,284	951,562,842
	Euro	1,473,250,722	4,968,903,720

	Foreign currency	2020 HK$ equivalent	2019 HK$ equivalent
Liabilities (excluding PRC subsidiaries)	Renminbi	4,339,345,725	4,379,344,267
	Euro	1,529,342,743	4,821,100,544

The Group is also exposed to the foreign exchange risk arising from its subsidiaries in PRC. The net asset value of the Group's subsidiaries in PRC as at 31 December 2020 is HK$4,038 million (2019: HK$3,375 million).

The following table details the Group's sensitivity to a 5% appreciation and depreciation of Renminbi against Hong Kong dollars. A positive number below indicates an increase in post-tax profit and other comprehensive income whereas a negative number indicates a decrease in post-tax profit and other comprehensive income.

	2020	
	Impact on post-tax profit for the year HK$	Other comprehensive income - exchange reserve HK$
Increase by 5%	(143,250,948)	168,574,309
Decrease by 5%	143,250,948	(168,574,309)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	2019	
	Impact on post-tax profit for the year HK$	Other comprehensive income - exchange reserve HK$
Increase by 5%	(143,109,874)	140,923,509
Decrease by 5%	143,109,874	(140,923,509)

The following table details the Group's sensitivity to a 5% appreciation and depreciation of Euro against Hong Kong dollars. A positive number below indicates an increase in post-tax profit whereas a negative number indicates a decrease in post-tax profit. The appreciation and depreciation of Euro against Hong Kong dollars do not have any impact on the Group's other comprehensive income.

	2020 Impact on post-tax profit for the year HK$	2019 Impact on post-tax profit for the year HK$
Increase by 5%	(2,341,842)	6,170,783
Decrease by 5%	2,341,842	(6,170,783)

(ii) Price risk

The Group is currently holding equity securities for medium and long term investment purposes that are exposed to price fluctuation.

The Group monitors its equity investments through strict procedures, starting from selection process to final exit execution. If the market for a financial asset is not active (e.g. for unlisted securities), the financial asset will be valued by independent professional qualified valuers who hold a recognised relevant professional qualification and have experience in using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and net asset value model, making maximum use of market inputs and relying as little as possible on entity - specific inputs.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

Listed investments

The Group's exposure to listed investments amounted to HK$3,578,011,757 (2019: HK$3,542,414,314). The table below summarises the impact of changes in the quote price by 5% (with other variable held constant) for each of the equity securities on the Group's post-tax profit for the year and on the other comprehensive income.

	2020	
	Impact on post-tax profit for the year	Impact on the other comprehensive income
	HK$	HK$
Increase by 5%	149,381,991	-
Decrease by 5%	(149,381,991)	-

	2019	
	Impact on post-tax profit for the year	Impact on the other comprehensive income
	HK$	HK$
Increase by 5%	147,895,798	-
Decrease by 5%	(147,895,798)	-

Unlisted investment in funds/trusts/equities

The Group's exposure to unlisted investment in funds/trusts/equities amounted to HK$15,168,855,505 (2019: HK$13,400,803,393). The fair value of unlisted investment in funds/trusts/equities depends on the valuation of the respective investments. Should the fair value of these unlisted investments increase/decrease by 5%, post-tax profit for the year and other comprehensive income for the year would have been HK$570,306,176 higher/lower and HK$75,441,367 higher/lower respectively (2019: HK$559,483,542 higher/lower and HK$55,481,967 higher/lower respectively).

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

Financial liabilities at fair value through profit or loss (Short position covered by call option)

	2020 Impact on post-tax profit for the year HK$	2019 Impact on post-tax profit for the year HK$
Increase by 5%	-	-
Decrease by 5%	-	8,636,445

(iii) Interest rate risk

The following table details the interest rate profile of the Group's interest bearing financial instruments at the reporting date:

	2020		2019	
	Effective interest rate %	Amount HK$	Effective interest rate %	Amount HK
Loans to margin clients	0.001%-12.5%	2,433,947,275	0.001%-12%	1,706,108,662
Bank balances	0.1%-0.75%	2,897,319,678	0.1%-3%	3,222,430,429
Financial assets at fair value through profit or loss	5.5%-14%	2,787,615,613	6%-13%	3,268,691,242
Financial assets at fair value through other comprehensive income	2%-6.25%	4,060,797,786	2.88%-4.5%	216,827,650
Bank and other borrowings	4.04%-4.7%	(3,355,353,833)	4.04%-5.7%	(4,565,821,650)
Notes issued	1.52%-4.76%	(3,864,354,097)	3.01%-3.65%	(3,864,937,886)

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing assets and liabilities. The loans to margin clients, client segregated bank balances, bank balances, borrowings with floating interest rates and guaranteed notes with floating interest rates were subject to the cash flow interest rate risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

As at 31 December 2020, the Group's net liabilities position including loans to margin clients, client segregated bank balances, bank balances, borrowings with floating interest rates and guaranteed notes with floating interest rates were HK$1,888,440,977 (2019: net liabilities position HK$3,502,220,444). If market interest rates increased/decreased by 0.5% with all other variables held constant, post-tax profit would have been decreased/increased by HK$13,840,500 (2019: decreased/increased HK$21,577,147) for the year ended 31 December 2020.

The Group's position for investment in fixed interest debt securities classified as financial assets at fair value through other comprehensive income amounted to HK$4,060,797,786 (2019: HK$216,827,650) and financial assets at fair value through profit or loss amounted to HK$2,787,615,613 (2019: HK$3,268,691,242) is subject to fair value change as a result of change in market interest risk.

Based on simulation performed and with other variables held constant, the post-tax profit will be decreased/increased by HK$10,553,903 (2019: HK$20,068,467) and other comprehensive income will be decreased/increased by HK$76,083,009 (2019: HK$5,521,457) should the interest rate increased/decreased by 0.5%.

The Group's investment in fixed-rate borrowings, notes issued, financial assets sold under repurchase agreements and trade payables to clients are carried at amortised cost and therefore management consider they are not subject to fair value interest rate risk.

Effects of hedge accounting on the financial position and performance

The Group's interest rate swap details as below:

	2020 HK$	2019 HK$
Interest rate swaps		
Carrying amount (Liabilities)	32,683,691	58,114,207
Notional amount	USD200,000,000 (approximately HK$ 1,550,520,000)	USD 500,000,000 (approximately HK$ 3,893,925,000)
Maturity date	September 2021	Ranges from September 2020 to September 2021
Fixed rate	3.93%	Ranges from 3.85% to 3.93%
Floating rate	London Interbank Offered Rate ("LIBOR")	London Interbank Offered Rate ("LIBOR")
Hedge ratio	1:1	1:1

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Effects of hedge accounting on the financial position and performance (Continued)

Sensitivity

The Group manages its interest rate risk by using interest rate swaps. Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the interest rate swaps. The table below summarises the impact of changes in interest rates by 0.5%

	2020	
	Impact on post-tax profit for the year HK$	Impact on the other components of equity HK$
Increase by 0.5%	-	(163,418)
Decrease by0.5%	-	163,418

	2019	
	Impact on post-tax profit for the year HK$	Impact on the other components of equity HK$
Increase by 0.5%	-	(290,571)
Decrease by0.5%	-	290,571

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

As at 31 December 2020, 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 and financial guarantees 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.

In order to minimise the credit risk, the Risk Management Department has a delegated team to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group structures the levels of credit risk by placing limits on its exposure to a single counterparty or groups of counterparty. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are reviewed regularly by the Group's management.

The Group has concentration of credit risk as 20% (2019: 34%) of the total account and trade receivables was due from the Group's largest customer. Besides, the Group's loan receivable represents entrusted loans, investment in private bonds and secured loans as disclosed in Note 16. As at 31 December 2020, the entrusted loans, investment in private bonds and secured loans are concentrated in 21 customers (2019: 17).

The Group presented an ageing analysis of its past due but not impaired trade receivable in Note 19.

The Group's financial asset at fair value through other comprehensive income and financial assets at fair value through profit or loss are deposited/custodied in respectable, large commercial banks or financial institutions. The credit risk is considered to be manageable.

Amount due from certain branches of the immediate holding company, bank balances and cash are placed in various authorized institutions and the directors of the Company consider the credit risk for such is minimal.

The Group maintains records of the payment history for significant insurance debtors and reinsurers with whom the Group conducts regular business. Moreover, the management of the Group assess regularly the creditworthiness of these counterparties by reviewing credit rating and other publicly available financial information.

Reinsurance is used to manage insurance. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurer is considered on a regular basis by reviewing their financial strength prior to finalisation of any contract.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has below financial assets that are subject to the expected credit loss model:
- Financial assets at fair value through other comprehensive income (debt instruments)
- Statutory deposits
- Financial assets at amortised cost
- Amount due from certain branches of the immediate holding company
- Account and trade receivables
- Financial assets held under resale agreements
- Fixed deposits
- Other receivables, deposits and prepayments (exclude prepayments)
- Deposits with brokers
- Bank balances and cash

However, the identified impairment loss of statutory deposits, amount due from certain branches of the immediate holding company, fixed deposits, deposit with brokers, financial assets held under resale agreements and bank balance and cash was immaterial. The directors of the Company consider the disclosure of the credit risk exposure and the gross carrying amount of these financial assets do not provide additional value.

The Group established expected credit loss ("ECL") model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

In calculating the expected credit loss rates, forward looking macroeconomic information, such as unemployment rate or gross domestic product ("GDP"), is incorporated as part of risk parameters estimation.

Various economic scenarios are considered such that a probability-weighted average ECL can be estimated. Three scenarios are proposed, i.e. good scenario, neutral scenario and bad scenario. By considering the corresponding probabilities of the scenarios, the probability-weighted average ECL can be estimated.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering both quantitative and qualitative information. Stages are determined by significant credit deterioration criteria, including days past due, loan classification grade and rating notch downgrade since initial recognition. Usually, it should be regarded as a significant increase in credit risk if the overdue exceeds 30 days.

The Group considers a financial instrument is default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default. The default definition applied by the Group is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and qualitative indicators have been considered when appropriate. In addition, other factors which cause significant increase in credit risk are considered according to qualitative reasoning and expert judgment.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has applied a 'three-stage' impairment model for expected credit loss measurement based on changes in credit quality since initial recognition of financial assets as summarised below:

Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.

Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The following diagram summaries the impairment requirements under HKFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for other receivables, deposits and prepayments (exclude prepayments), account and trade receivables arising from business of corporate finance activities and financial advisory, asset management business and insurance business. Except for those which had been determined as credit impaired under HKFRS 9, account and trade receivables arising from business of corporate finance activities and financial advisory and from asset management business have been assessed individually, the balances are grouped based on past due analysis.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2020 and 31 December 2019 and, the Group's financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
As at 1 January 2020	2,292,785	-	-	2,292,785
Transfers between stages	-	-	-	-
Originated or purchased financial assets	6,930,899	-	-	6,930,899
Remeasurement	1,063,460	-	-	1,063,460
Repayment and transfer-out	-	-	-	-
Write-off	-	-	-	-
Exchange realignment	(13,113)	-	-	(13,113)
As at 31 December 2020	10,274,031	-	-	10,274,031
As at 1 January 2019	210,965	-	-	210,965
Transfers between stages	-	-	-	-
Originated or purchased financial assets	2,161,392	-	-	2,161,392
Remeasurement	43,924	-	-	43,924
Repayment and transfer-out	(112,208)	-	-	(112,208)
Write-off	-	-	-	-
Exchange realignment	(11,288)	-	-	(11,288)
As at 31 December 2019	2,292,785	-	-	2,292,785
Financial assets at amortised cost				
As at 1 January 2020	21,741,992	28,609,346	752,176,350	802,527,688
Transfers between stages:				
Stage 1 to stage 2	(3,523,115)	3,523,115	-	-
Stage 2 to stage 3	-	(28,609,346)	28,609,346	-
Originated or purchased financial assets	9,879,697	-	-	9,879,697
Remeasurement	(851,471)	69,022,900	240,376,278	308,547,707
Repayment and transfer-out	(10,307,965)	-	-	(10,307,965)
Write-off	-	-	(142,132,203)	(142,132,203)
Exchange realignment	3,273,990	-	51,603,875	54,877,865
As at 31 December 2020	20,213,128	72,546,015	930,633,646	1,023,392,789
As at 1 January 2019	28,461,101	865,232	399,070,848	428,397,181
Transfers between stages:				
Stage 1 to stage 2	(1,853,160)	1,853,160	-	-
Stage 1 to stage 3	(2,470,880)	-	2,470,880	-
Originated or purchased financial assets	11,884,387	-	-	11,884,387
Remeasurement	(286,853)	27,272,425	359,724,368	386,709,940
Repayment and transfer-out	(15,426,748)	(865,232)	-	(16,291,980)
Write-off	-	-	-	-
Exchange realignment	1,434,145	(516,239)	(9,089,746)	(8,171,840)
As at 31 December 2019	21,741,992	28,609,346	752,176,350	802,527,688

Note:
Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of financial assets between stages; changes in ECL due to unwinding of discount over time.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

	Stage of assets				
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Lifetime ECL (simplified approach) HK$	Total HK$
Account and trade receivables					
As at 1 January 2020	744,265	-	64,458,349	2,667,175	67,869,789
Transfers between stages	-	-	-	-	-
Increases/(decrease)	(584,552)	-	-	515,520	(69,032)
Write-off	-	-	(64,323,293)	(491,605)	(64,814,898)
Exchange realignment	(7,575)	-	1,743	(3,020)	(8,852)
As at 31 December 2020	152,138	-	136,799	2,688,070	2,977,007
As at 1 January 2019	11,379,795	-	149,904,316	4,816,001	166,100,112
Transfers between stages	-	-	-	-	-
Increases/(decrease)	(10,635,530)	-	-	(2,080,402)	(12,715,932)
Write-off	-	-	(85,581,023)	-	(85,581,023)
Exchange realignment	-	-	135,056	(68,424)	66,632
As at 31 December 2019	744,265	-	64,458,349	2,667,175	67,869,789
Other receivables, deposits and prepayments (exclude prepayments)					
As at 1 January 2020	11,984	13,711,331	13,015,653	1,201,505	27,940,473
Transfers between stages					
Stage 1 to 2	(7,030)	7,030	-	-	-
Stage 1 to 3	(144,919)	-	144,919	-	-
Stage 2 to 3	-	(13,711,331)	13,711,331	-	-
Increases/(decrease)	439,139	1,090,471	81,796,464	(688,520)	82,637,554
Write-off	-	-	(43,702,663)	-	(43,702,663)
Exchange realignment	73,476	-	2,302,631	-	2,376,107
As at 31 December 2020	372,650	1,097,501	67,268,335	512,985	69,251,471
As at 1 January 2019	3,081,995	33,768	390,844	404,684	3,911,291
Transfers between stages					
Stage 1 to 2	(8,185)	8,185	-	-	-
Stage 1 to 3	(999,918)	-	999,918	-	-
Increases/(decrease)	(2,446,933)	12,754,016	11,747,978	727,451	22,782,512
Write-off	-	-	-	-	-
Exchange realignment	385,025	915,362	(123,087)	69,370	1,246,670
As at 31 December 2019	11,984	13,711,331	13,015,653	1,201,505	27,940,473

*The Group has separately disclosed the movement of these financial assets using simplified approach. The comparative figures have been represented accordingly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Analysis of the gross carrying amount of financial instruments for which an ECL allowance is recognised is as follows according to the stage of ECL:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
Gross carrying amount as at 1 January 2020	619,096,978	-	-	619,096,978
Transfers between stages	-	-	-	-
Originated or purchased financial assets	4,270,051,721	-	-	4,270,051,721
Repayment and transfer-out	(202,073,280)	-	-	(202,073,280)
Write-off	-	-	-	-
Exchange realignment	(4,075,059)	-	-	(4,075,059)
As at 31 December 2020	4,683,000,360	-	-	4,683,000,360
Gross carrying amount as at 1 January 2019	315,001,935	-	-	315,001,935
Transfers between stages	-	-	-	-
Originated or purchased financial assets	469,595,313	-	-	469,595,313
Repayment and transfer-out	(179,184,837)	-	-	(179,184,837)
Write-off	-	-	-	-
Exchange realignment	13,684,567	-	-	13,684,567
As at 31 December 2019	619,096,978	-	-	619,096,978
Financial assets at amortised cost				
Gross carrying amount as at 1 January 2020	7,712,285,785	334,903,800	909,061,905	8,956,251,490
Transfers between stages				
Stage 1 to stage 2	(380,000,000)	380,000,000	-	-
Stage 2 to stage 3	-	(334,903,800)	334,903,800	-
Originated or purchased financial assets	2,360,357,192	-	-	2,360,357,192
Repayment and transfer-out	(4,410,584,710)	-	-	(4,410,584,710)
Write-off	-	-	(142,132,203)	(142,132,203)
Exchange realignment	(24,488,147)	-	70,876,920	46,388,773
As at 31 December 2020	5,257,570,120	380,000,000	1,172,710,422	6,810,280,542
Gross carrying amount as at 1 January 2019	8,882,736,383	391,645,750	469,683,007	9,744,065,140
Transfers between stages				
Stage 1 to stage 2	(342,387,600)	342,387,600	-	-
Stage 1 to stage 3	(456,516,800)	-	456,516,800	-
Originated or purchased financial assets	3,042,366,584	-	-	3,042,366,584
Repayment and transfer-out	(3,321,407,983)	(391,645,750)	-	(3,713,053,733)
Write-off	-	-	-	-
Exchange realignment	(92,504,799)	(7,483,800)	(17,137,902)	(117,126,501)
As at 31 December 2019	7,712,285,785	334,903,800	909,061,905	8,956,251,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

	Stage of assets				
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Lifetime ECL (simplified approach) HK$	Total HK$
Account and trade receivables					
Gross carrying amount as at 1 January 2020	2,086,581,058	-	64,458,348	147,987,155	2,299,026,561
Transfers between stages	-	-	-	-	-
Increases /(decreases)	1,527,980,530	-	-	(6,352,239)	1,521,628,291
Write-off	-	-	(64,323,293)	-	(64,323,293)
Exchange realignment	-	-	1,743	(277,160)	(275,417)
As at 31 December 2020	3,614,561,588	-	136,798	141,357,756	3,756,056,142
Gross carrying amount as at 1 January 2019	3,073,679,178	-	149,904,316	160,767,261	3,384,350,755
Transfers between stages	-	-	-	-	-
Increases /(decreases)	(987,098,120)	-	-	(13,140,762)	(1,000,238,882)
Write-off	-	-	(85,581,023)	-	(85,581,023)
Exchange realignment	-	-	135,055	360,656	495,711
As at 31 December 2019	2,086,581,058	-	64,458,348	147,987,155	2,299,026,561
Other receivables, deposits and prepayments (exclude prepayments)					
Gross carrying amount as at 1 January 2020	158,239,173	13,711,331	13,015,653	297,136,693	482,102,850
Transfers between stages					
Stage 1 to stage 2	(798,235)	798,235	-	-	-
Stage 1 to stage 3	(43,914,821)		43,914,821	-	-
Stage 2to stage 3	-	(13,711,331)	13,711,331	-	-
Increases /(decreases)	20,841,535	21,688,888	36,145,583	(248,030,708)	(169,354,702)
Write-off	-	-	(43,702,663)	-	(43,702,663)
Exchange realignment	(475,120)	-	4,183,610	(1,145,772)	2,562,718
As at 31 December 2020	133,892,532	22,487,123	67,268,335	47,960,213	271,608,203
Gross carrying amount as at 1 January 2019	123,020,023	15,729,447	390,844	40,960,358	180,100,672
Transfers between stages					
Stage 1 to stage 2	(1,166,968)	1,166,968	-	-	-
Stage 1 to stage 3	(12,747,896)	-	12,747,896	-	-
Increases /(decreases)	49,334,014	(2,941,663)	-	256,943,328	303,335,679
Write-off	-	-	-	-	-
Exchange realignment	(200,000)	(243,421)	(123,087)	(766,993)	(1,333,501)
As at 31 December 2019	158,239,173	13,711,331	13,015,653	297,136,693	482,102,850

*The Group bas separately disclosed the movement of these financial assets using simplified approach. The comparative figures have been represented accordingly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	2020 Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
Credit quality grade				
Investment grade	4,662,246,915	-	-	4,662,246,915
Non-investment grade	20,753,445	-	-	20,753,445
Credit impaired	-	-	-	-
Carrying amount	4,683,000,360	-	-	4,683,000,360

	2019 Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
Credit quality grade				
Investment grade	110,236,939	-	-	110,236,939
Non-investment grade	508,860,039	-	-	508,860,039
Credit impaired	-	-	-	-
Carrying amount	619,096,978	-	-	619,096,978

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

	2020 Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at amortised cost				
Credit grade				
Investment grade	387,630,103	-	-	387,630,103
Non-investment grade	4,869,940,017	380,000,000	-	5,249,940,017
Credit impaired	-	-	1,172,710,422	1,172,710,422
Gross carrying amount	5,257,570,120	380,000,000	1,172,710,422	6,810,280,542
Loss allowance	(20,213,128)	(72,546,015)	(930,633,646)	(1,023,392,789)
Net carrying amount	5,237,356,992	307,453,985	242,076,776	5,786,887,753

	2019 Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at amortised cost				
Credit grade				
Investment grade	3,489,919,200	-	-	3,489,919,200
Non-investment grade	4,222,366,585	334,903,800	-	4,557,270,385
Credit impaired	-	-	909,061,905	909,061,905
Gross carrying amount	7,712,285,785	334,903,800	909,061,905	8,956,251,490
Loss allowance	(24,741,992)	(28,609,346)	(749,176,350)	(802,527,688)
Net carrying amount	7,687,543,793	306,294,454	159,885,555	8,153,723,802

The gross carrying amount of account and trade receivables, other receivables, deposits and prepayments represents the maximum exposure to credit risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group adopts the following risk ratings to determine the credit quality grade for financial assets:

Internal rating	PD Range	Risk ratings with reference to external ratings (S&P/Moody's)	Credit quality grade
SAAA to SAAA-	0% to 0.53%	BBB-/Baa3 or above	Investment grade
SAA+ to C	0.88% to 13.78%	BB+/Ba1 or below	Non-investment grade
D	100%	Credit impairment indication or defaulted	Credit impaired
Non-rated	External rating is used as substitution.		

Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment.

	Maximum exposure to credit risk	
	2020	2019
	HK$	HK$
Financial assets at fair value through profit or loss	19,519,223,304	20,529,977,664

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group manages its liquidity risk through:

- Optimizing asset and liability structure;
- Reviewing major funding position regularly;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining an efficient internal funds transfer mechanism within the Group.

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2020

	On demand HK$	Less than 1 year HK$	1 to 5 years HK$	Total HK$
Financial liabilities				
Trade payables	1,869,714,041	30,903,579	-	1,900,617,620
Other payables	-	671,619,108	-	671,619,108
Net assets attributable to the non-controlling interest of an investment fund	-	43,985,955	-	43,985,955
Amounts due to fellow subsidiary	-	59,407,823	-	59,407,823
Borrowings	-	6,433,534,865	3,107,957,381	9,541,492,246
Lease liabilities	-	75,863,574	47,530,246	123,393,820
Notes issued	-	12,386,210,752	10,971,481,292	23,357,692,044
Derivatives settled gross				
-inflow	-	12,659,573	-	12,659,573
-outflow	-	(45,643,445)	-	(45,643,445)
	-	(32,983,872)	-	(32,983,872)

As at 31 December 2019

	On demand HK$	Less than 1 year HK$	1 to 5 years HK$	Total HK$
Financial liabilities				
Trade payables	975,035,712	26,981,643	-	1,002,017,355
Other payables	-	729,346,461	-	729,346,461
Financial liabilities at fair value through profit or loss		364,408,753	-	364,408,753
Net assets attributable to the non-controlling interest of an investment fund	-	43,401,384	-	43,401,384
Amounts due to fellow subsidiary	-	-	55,817,300	55,817,300
Amounts due to a branch of the immediate holding company	713,372	-	-	713,372
Financial assets sold under repurchase agreements	-	344,560,193	-	344,560,193
Borrowings	-	10,833,016,686	3,403,211,946	14,236,228,632
Lease liabilities	-	44,824,436	43,237,148	88,061,584
Notes issued	-	4,374,150,895	9,870,908,273	14,245,059,168
Derivatives settled gross				
-inflow	-	99,763,098	35,210,505	134,973,603
-outflow	-	(128,596,873)	(45,850,967)	(174,447,840)
	-	(28,833,775)	(10,640,462)	(39,474,237)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the vary nature of an insurance contract, this risk is random and therefore unpredictable.

The Group uses assumptions based on a mixture of internal and market data to measure its claims loss. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out in prior years. The Group has reviewed the individual contract and in particular the industries in which the insured companies operate and the actual years of claims.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which include amounts due to fellow subsidiaries, capital and reserves, which include issued share capital and reserves. The Group's overall strategy remains unchanged throughout the year.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the amounts due to fellow subsidiaries, payment of dividends and issuance of share capital.

3 Financial risk management (Continued)

3.2 Capital management (Continued)

Three subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission ("SFC") to conduct respective regulated activities in Hong Kong. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, the Regulated Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by FRR) in excess of required liquid capital.

A subsidiary of the Group is a licensed insurer and is regulated by the Insurance Authority ("IA") and is required to comply with certain solvency requirements according to the rules of Insurance Ordinance. Management of licensed insurer subsidiary monitors the subsidiary's solvency position to ensure it meets the requirements in accordance with the Hong Kong Insurance Ordinance. The subsidiary has no non-compliance of the solvency requirements imposed by the Hong Kong Insurance Ordinance during the year.

In addition, a subsidiary of the Group is an insurance intermediary and is a member of the Professional Insurance Brokers Association Limited. It was required to maintain a minimum paid-up capital of HK$500,000 at all times before 23 September 2019. With effect from 23 September 2019, the IA is the sole regulator to license and supervise all insurance intermediaries in Hong Kong. It is required to maintain a minimum paid-up capital of HK$500,000 at all times after 23 September 2019.

Management of the respective subsidiaries monitor the liquid capital, solvency position and capital requirement of these subsidiaries to ensure they meet the requirements.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2020, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position

	31 December 2020			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	-	-	1,508,827,331	1,508,827,331
Debt securities listed in Hong Kong	-	4,683,000,360	-	4,683,000,360
	-	4,683,000,360	1,508,827,331	6,191,827,691
Financial assets at fair value through profit or loss				
Unlisted equity securities	-	-	5,282,475,274	5,282,475,274
Listed equity securities	1,916,823,307	-	-	1,916,823,307
Investment in listed preference shares	-	1,661,188,450	-	1,661,188,450
Restricted listed securities (note)	-	-	239,739,859	239,739,859
Securities with embedded options	-	-	146,673,932	146,673,932
Investment in funds managed by the Group (via subsidiaries)	-	-	291,964,071	291,964,071
Investment in funds managed by external party	1,362,092,725	-	5,191,201,165	6,553,293,890
Investment in trust	-	-	1,145,881,149	1,145,881,149
Convertible bonds, preference shares, and senior notes with warrants	-	-	2,281,183,372	2,281,183,372
	3,278,916,032	1,661,188,450	14,579,118,822	19,519,223,304
Financial liabilities at fair value through profit or loss				
Listed equity securities	-	-	-	-
Derivatives				
Hedging derivatives – Interest rate swaps	-	(32,683,691)	-	(32,683,691)
Total	3,278,916,032	6,311,505,119	16,087,946,153	25,678,367,304

Note: There are locked up periods for the above investment in securities.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	-	-	1,109,639,348	1,109,639,348
Debt securities listed in Hong Kong	-	619,096,978	-	619,096,978
	-	619,096,978	1,109,639,348	1,728,736,326
Financial assets at fair value through profit or loss				
Unlisted equity securities	-	-	5,058,451,351	5,058,451,351
Listed equity securities	2,133,939,519	-	-	2,133,939,519
Listed investment in preference shares	-	1,408,474,795	-	1,408,474,795
Restricted listed securities (note)	-	-	154,609,902	154,609,902
Securities with embedded options	-	-	418,294,408	418,294,408
Investment in funds managed by the Group (via subsidiaries)	-	-	402,796,695	402,796,695
Investment in funds managed by external party	2,271,046,814	-	3,408,007,024	5,679,053,838
Investment in trust	-	-	1,687,597,199	1,687,597,199
Convertible bonds, preference shares, and senior notes with warrants	-	-	3,352,785,413	3,352,785,413
Loan with derivatives	-	-	233,974,544	233,974,544
	4,404,986,333	1,408,474,795	14,716,516,536	20,529,977,664
Financial liabilities at fair value through profit or loss				
Listed equity securities	(364,408,753)	-	-	(364,408,753)
Derivatives				
Hedging derivatives – Interest rate swaps	-	(58,114,207)	-	(58,114,207)
Total	4,040,577,580	1,969,457,566	15,826,155,884	21,836,191,030

There were no transfers between levels 1, 2 and 3 during the year.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

Reconciliation of level 3 fair value measurements of financial assets of the Group:

	31 December 2020		
	Financial assets at fair value through other comprehensive income HK$	Financial asset at fair value through profit or loss HK$	Total HK$
Opening balance	1,109,639,348	14,716,516,536	15,826,155,884
Acquisition	21,349,782	2,631,473,832	2,652,823,614
Disposal	(35,674,993)	(3,611,615,287)	(3,647,290,280)
Gain recognised in the profit or loss	-	376,768,447	376,768,447
Gain recognised in other comprehensive income	323,632,352	-	323,632,352
Exchange differences	89,880,842	465,975,294	555,856,136
Closing balance	1,508,827,331	14,579,118,822	16,087,946,153
Changes in unrealised gains or losses for the year included in the profit or loss at the end of the year	-	414,148,252	414,148,252

	31 December 2019		
	Financial assets at fair value through other comprehensive income HK$	Financial asset at fair value through profit or loss HK$	Total HK$
Opening balance	1,126,183,623	14,384,099,592	15,510,283,215
Acquisition	-	4,595,742,454	4,595,742,454
Disposal	-	(4,431,643,137)	(4,431,643,137)
Gain recognised in the profit or loss	-	381,794,788	381,794,788
Gain recognised in other comprehensive income	8,214,786	-	8,214,786
Exchange differences	(24,759,061)	(213,477,161)	(238,236,222)
Closing balance	1,109,639,348	14,716,516,536	15,826,155,884
Changes in unrealised gains or losses for the year included in the profit or loss at the end of the year	-	326,152,500	326,152,500

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The unlisted equity investments, funds, loans with derivatives, senior notes with warrants and derivatives were valued by independent professional qualified valuers who hold a recognised relevant professional qualification and have experience in using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, net asset value model and binomial option model, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The major valuation technique for investment in funds is share of net asset value.

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2020:

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	1,378,160,934	Actuarial valuation	Risk discount rate	11%
			Investment yield	5%
	130,666,397	Share of net assets value	N/A	N/A
Sub-total	1,508,827,331			
Financial assets at fair value through profit or loss				
Securities with embedded options	146,673,932	Binomial option model	Discount rate	282.09%
			Volatility	49.23%
Unlisted equity securities	459,236,480	Market approach	Marketability discount	18.47%
			P/E multiples	0.84
	87,053,969	Market approach	P/S multiples	27.22
			P/E multiples	5.73
	61,640,000	Market approach	P/E multiples	12.22
	44,124,144	Market approach	P/S multiples	3.88
	84,580,889	Market approach	Discount rate	15.3%
	175,944,319	Market approach	Discount rate	14.27%
	41,704,472	Market approach	Volatility	48.79%
	3,431,387	Share of net assets value	Discount on lack of control	19.87%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2020: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	82,255,108	Market approach	P/E multiples	12.52
	191,814,880	Binomial option model	Volatility	42.94%
	55,324,545	Dividend model	Dividend growth rate	2.47%
			Sustainable growth rate	4.36%
			Marketability discount	27.1%
	4,973,369	Market approach	Marketability discount	24.27%
	311,016,587	Binomial option model	Marketability discount	12.8%
	32,199,039	Discounted cash flow model	Discount rate	279.53%
	593,427,118	Discounted cash flow model	Discount rate	9.1%
	909,940,117	Market approach	Marketability discount	17.05%
	97,033,693	Market approach	Volatility	49.32%
	110,225,274	Discounted cash flow model	Discount rate	18.84%
	334,941,305	Discounted cash flow model	Discount rate	15.04%
	117,781,950	Discounted cash flow model	Discount rate	12.61%
	8,875,529	Discounted cash flow model	Discount rate	277.17%
	19,723,397	Discounted cash flow model	Discount rate	283.28%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2020: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	47,668,837	Discounted cash flow model	Discount rate	9.8%
	117,466,768	Market approach	Volatility	52.24%
	580,176,798	Discounted cash flow model	Discount rate	13.69%
	523,851,711	Share of net assets value	N/A	N/A
	186,063,589	Recent transaction	N/A	N/A
Sub-total	5,282,475,274			
Investment in funds managed by the Group	14,293,673	Market approach	Discount rate	2.64%
	277,670,398	Share of net assets value	N/A	N/A
Sub-total	291,964,071			
Restricted listed securities	86,971,964	Binomial option model	Volatility	54.95%
	152,767,895	Market approach	Marketability discount	5.6%
Sub-total	239,739,859			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2020: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in funds managed by external parties	238,782,493	Market approach	Marketability discount	19.48%
	294,598,878	Market approach	Marketability discount	25.36%
	1,164,874,976	Binomial option model	Discount rate	5.67%
	126,165,955	Market approach	EV/Sales multiples	2.18
	234,431,833	Market approach	P/E multiples	47.16
	295,971,000	Market approach	Marketability discount	18.02%
	184,595,843	Market approach	Volatility	46.43%
	56,629,688	Binomial option model	Volatility	31.92%
	36,081,424	Binomial option model	Volatility	61.72%
	203,273,226	Binomial option model	Volatility	61.88%
	232,578,062	Market approach	Volatility	41.72%
	134,508,128	Market approach	Marketability discount	24.27%
	10,441,519	Binomial option model	Volatility	46.26%
	63,771,229	Market approach	Marketability discount	5.3%
	2,154,051	Market approach	P/S multiples	2.69
	288,246,756	Discounted cash flow model	Discount rate	17.87%
	1,598,171,403	Share of net assets value	N/A	N/A
	25,924,701	Recent transaction	N/A	N/A
Sub-total	5,191,201,165			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2020: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in trusts	1,145,881,149	Share of net assets value	N/A	N/A
Convertible bonds, preference shares, and senior notes with warrants	782,100,094	Discounted cash flow model	Discount rate	10.63%
	439,650,063	Discounted cash flow model	Discount rate	5.82%
		Binomial option model	Volatility	33.75%
	400,990,480	Discounted cash flow model	Discount rate	14.13%
	260,099,799	Market approach	Volatility	54.01%
	398,342,936	Market approach	EV/Sales multiples	1.06
Sub-total	2,281,183,372			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019:

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	970,201,856	Actuarial valuation	Risk discount rate Investment yield	12% 5.1%
	139,437,492	Share of net assets value	N/A	N/A
Sub-total	1,109,639,348			
Financial assets at fair value through profit or loss				
Securities with embedded options	106,798,852	Binomial option model	Discount rate Volatility	235.66% 25.87%
	193,432,115	Binomial option model Black-Scholes model	Discount rate Volatility	239.57% 31.22%
	118,063,441	Binomial option model	Volatility Discount rate	47.9% 6.77%
Sub-total	418,294,408			
Unlisted equity securities	147,790,814	Discounted cash flow model	Marketability discount	3.34%
	450,957,839	Market approach	Marketability discount Discount on lack of control	15.69% 12.93%
	80,321,424	Recent transaction		
	84,186,659	Market approach	Change in forward P/S multiples	21.64%
	67,310,000	Market approach	P/E multiples	14.07
	39,261,877	Market approach	EV/Sales multiples	1.66

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	40,579,558	Market approach	Volatility	50.21%
	4,210,517	Share of net assets value	Discount on lack of control	17.76%
	82,317,575	Market approach	P/E multiples	13.19
	40,675,941	Binomial option model	Volatility	47.43%
	45,535,364	Dividend model	Dividend growth rate Sustainable growth rate Marketability discount	8.25% 3.76% 16.15%
	233,708,151	Black-Scholes model	Marketability discount	8.84%
	55,742,505	Discounted cash flow model	Discount rate	9.92%
	570,155,858	Discounted cash flow model	Discount rate	8.44%
	917,382,577	Market approach	Marketability discount	21.72%
	106,979,438	Discounted cash flow model	Discount rate	9.97%
	336,628,555	Discounted cash flow model	Discount rate	13.91%
	340,305,798	Discounted cash flow model	Discount rate	13.97%
	112,480,790	Discounted cash flow model	Discount rate	11.99%
	55,815,068	Binomial option model	Volatility	37.31%
	100,343,876	Binomial option model	Discount rate	11.98%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	561,653,767	Discounted cash flow model	Discount rate	8.85%
	81,460,911	Market approach	Discount rate	10.3%
	173,605,787	Market approach	Discount rate	11.37%
	70,090,650	Market approach	Forward P/S multiples Marketability discount	5.8 19.95%
	258,950,052	Share of net assets value	N/A	N/A
Sub-total	5,058,451,351			
Investment in funds managed by the Group	187,837	Market approach	P/E multiples Marketability discount	73.8 24.27%
	11,163,460	Discounted cash flow model	Discount rate	4.75%
	391,445,398	Share of net assets value	N/A	N/A
Sub-total	402,796,695			
Restricted listed securities	53,706,032	Binomial option model	Volatility	44.23%
	100,903,870	Market approach	Marketability discount	14.43%
Sub-total	154,609,902			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in funds managed by external parties	164,102,862	Market approach	Marketability discount	15%-23%
	1,160,179,378	Binomial option model	Discount rate	7.66%
	302,869,487	Market approach	Marketability discount	22.09%
	110,184,729	Market approach	EV/Sales multiples	2.34
	230,208,846	Market approach	P/E multiples	46
	235,205,000	Market approach	Marketability discount	21.15%
	176,144,249	Market approach	Volatility	30.63%
	42,614,656	Binomial option model	Volatility	32%
	33,246,861	Binomial option model	Volatility	45.12%
	45,728,129	Binomial option model	Marketability discount	18.8%
	280,874,886	Discounted cash flow model	Discount rate	10.42%
	626,647,941	Share of net assets value	N/A	N/A
Sub-total	3,408,007,024			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in trusts	265,153,959	Binomial option model	Discount rate	7%
	1,422,443,240	Share of net assets value	N/A	N/A
Sub-total	1,687,597,199			
Convertible bonds, preference shares, and senior notes with warrants	548,645,380	Binomial option model Black Scholes model	Discount rate Volatility	9.09% 37.13%
	780,720,974	Binomial option model	Discount rate	11.65%
	91,049,041	Binomial option model	Discount rate	5.61%
	4,150,000	Liquidation approach	Discount rate	23.23%
	391,164,534	Discounted cash flow model	Discount rate	11.27%
	389,961,013	Discounted cash flow model	Discount rate	12.3%
	387,980,976	Discounted cash flow model	Discount rate	11.77
	287,060,151	Market approach	P/E multiples Marketability discount	23.79 17.44%
	399,651,715	Market approach	EV/Sales multiples	1.41
	72,401,629	Market approach	P/E multiples	41.22
Sub-total	3,352,785,413			
Loan with derivatives	233,974,544	Discounted cash flow model	Discount rate	7.21%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The fair values of the Group's financial instrument in Level 3 fair value hierarchy are positively correlated to dividend growth rates, long term revenue growth rates, valuation multiples, sustainable growth rates, PE multiples, recovery rates and expected volatility.

The fair values of the Group's financial instrument in Level 3 fair value hierarchy are negatively correlated to marketability discount, minority discount, resalable discount, weighted average cost of capital, discount rates.

Management has assessed that financial assets at amortised cost, amount due from related company, account and trade receivables, other receivables, deposits and prepayments, financial assets held under resale agreements, cash and cash equivalents, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, amounts due to related parties and issued bonds approximate their carrying amounts. At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values.

3.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Offsetting financial assets and financial liabilities

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31 December 2020					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial assets	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK$	Net amount of financial assets presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	183,228,217	(114,314,735)	68,913,482	-	-	68,913,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Offsetting financial instruments (Continued)

Offsetting financial assets and financial liabilities (Continued)

	As at 31 December 2020					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial liabilities	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the consolidated statement of financial position HK$	Net amount of financial liabilities presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	(114,314,735)	114,314,735	-	-	-	-

	As at 31 December 2019					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial assets	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK$	Net amount of financial assets presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	107,087,364	(107,087,364)	-	-	-	-

3 Financial risk management (Continued)

3.4 Offsetting financial instruments (Continued)

Offsetting financial assets and financial liabilities (Continued)

	As at 31 December 2019					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial liabilities	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the consolidated statement of financial position HK$	Net amount of financial liabilities presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	(235,770,492)	107,087,364	(128,683,128)	-	-	(128,683,128)

The tables below reconcile the amounts of accounts receivable and accounts payable as presented in the consolidated statement of financial position:

	2020 HK$	2019 HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	68,913,482	-
Accounts receivable not in the scope of offsetting disclosure	3,684,165,653	2,231,156,772
Trade receivable as disclosed in the consolidated statement of financial position (Note 19)	3,753,079,135	2,231,156,772
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	-	128,683,128
Accounts payable not in the scope of offsetting disclosure	1,900,617,620	873,334,227
Trade payable as disclosed in the consolidated statement of financial position (Note 26)	1,900,617,620	1,002,017,355

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, 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 ongoing 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.

(a) Classification of investments as financial assets at fair value through profit or loss

In deciding classification and measurement of unlisted equity investment where the Group has significant influence over the investee, significant judgment is required in determining whether the Group has any venture capital organisation under HKAS 28 "Investment in Associates and Joint Venture". HKAS 28 allows the Group elects to measure its investment at fair value instead of accounting under equity method if the Group has a venture capital organisation. Management consider that certain operations of the Group meets the definition of venture capital organisations as one of the Group's business activities is investing in unlisted investments and the Group aims to hold these investments for medium-term capital growth and would seek to exit upon expiration of the investment period. Consequently, the Group elects to classify certain unlisted equity investments as financial assets at fair value through profit or loss and measured the investments on a fair value basis in accordance with HKFRS 9 "Financial Instrument". As at 31 December 2020, the investments classified and measured under this approach amounted to HK$1,484,627,270 (2019: HK$1,375,487,018).

(b) Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

As described in Note 3, the management use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of those financial instruments not quoted in an active market are determined in accordance with generally accepted pricing models, which includes some assumptions not supported by observable market prices or rates. The carrying amounts of those financial instruments (Level 3) classified as fair value through other comprehensive income and fair value through profit or loss as at 31 December 2020 is HK$1,508,827,331 (2019: HK$1,109,639,348) (refer to Note 3.3) and HK$14,579,118,822 (2019: HK$14,716,516,536) (refer to Note 3.3) respectively. The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. In particular, it is based on economic, market and other conditions as they exist on 31 December 2020. Management believes that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments as at 31 December 2020.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(c) Expected credit loss ('ECL') provision on the financial assets measured at amortised cost and fair value through other comprehensive income (debt instruments)

The measurement of ECL under HKFRS 9 across all categories of financial assets to which ECL measurements requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These judgements and estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, sensitivity analysis on key economic indicators, economic scenarios and weightings assigned used in forward-looking measurement. If assigned weightings of upside scenario and downside scenario change by 10% and the forecast of key economic indicators change accordingly, the impact on the allowance of expected credit loss as of 31 Dec 2020 is less than 5%.

More details on the impairment allowances of the financial assets are disclosed in Notes 15, 16, 19 and 20 respectively.

(d) Estimated impairment of reinsurance assets

The policy for impairment of reinsurance assets of the Group is based on the evaluation of collectability and aging analysis of reinsurance assets and management's judgment. A considerable amount of judgement is required in assessing the ultimate recoverability of the reinsurance assets, including the current creditworthiness and the past collection history of counterparty. If the financial conditions of the counterparties and their ability to make payments worsen, additional impairment may be required.

(e) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's most critical accounting estimates. There are several sources that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims, more particularly, bodily injury claims arising from Employees' Compensation and Motor insurance policies that may result in substantial amount of judicial awards payable.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(f) Tax exposure on financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss held in the PRC

Certain financial assets at fair value through other comprehensive income ('FVOCI') and financial assets at fair value through profit or loss held by the Group are unlisted equity securities in the PRC and are subject to the PRC tax jurisdictions. Criteria that lead to tax exemption under the relevant double taxation treaty between the PRC and Hong Kong have been examined and evaluated to determine the potential tax consequence arising from the revaluation of these securities. In particular, management judgment is required to assess: (1) whether the Group is a qualified Hong Kong tax resident; (2) whether the net book value of the underlying immovable properties of the FVOCI securities has never exceeded 50% of their total assets within three years; and (3) whether less than 25% of the equity interest in the FVOCI securities is held by the non-PRC investors throughout the previous 12 month period. As at 31 December 2020 and 2019, the Group incurred neither current tax nor deferred tax liabilities from these securities.

(g) Deferred tax assets/liabilities

As at 31 December 2020, for entities incorporated in Hong Kong, no deferred tax asset has been recognised on the estimated unused tax losses of approximately HK$143.4 million (2019: HK$143.2 million) due to the unpredictability of future profit streams for these entities. In cases where the actual future profits generated are more than expected, recognition of deferred tax assets may arise.

(h) Control over structured entities

Where the Group acts as asset manager of structured entities, the Group makes judgment on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment on the above and whether it controls the structured entities if facts and circumstances indicate that there are changes to one or more of the three elements of control under HKFRS 10.

5(a) Revenue from brokerage, corporate finance, investment, asset management and property investment

	2020	2019
Revenue from brokerage, corporate finance and asset management (Note):	HK$	HK$
Brokerage:		
Commission and brokerage on securities dealing	83,180,644	63,232,454
Corporate finance:		
Advisory fee for corporate finance services	258,902,955	307,855,537
Underwriting commission	240,982,036	220,752,909
Asset management:		
Management fee income	169,955,412	140,656,326
Revenue from financial investment:		
Dividend income from investments	717,942,680	882,293,154
Revenue from leases of investment properties:		
Rental income	31,895,989	32,759,493
	1,502,859,716	1,647,549,873

Note:
Commission and brokerage on securities, advisory fee for corporate finance services, underwriting commission and management fee income are the revenue recognised in accordance with HKFRS 15. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$548,162,215 (2019: HK$565,856,713) and HK$204,858,832 (2019: HK$166,640,513) respectively.

5(b) Revenue from interest income

	2020	2019
	HK$	HK$
Interest income from:		
Margin financing	190,954,374	164,457,363
Financial assets at amortised cost	537,754,015	622,667,204
Financial assets at fair value through other comprehensive income	102,289,928	10,332,637
	830,998,317	797,457,204

6 Other income

	2020 HK$	2019 HK$
Bank interest income	20,192,359	61,099,742
Interest income from financial assets held under resale agreements	2,750,285	2,016,806
Tax refund and subsidies from government	18,819,955	24,683,461
Arrangement fee income	33,180,660	6,378,079
Others	1,151,538	891,227
	76,094,797	95,069,315

7 Other gains and losses

	2020 HK$	2019 HK$
Net realised gain on:		
- financial assets at fair value through other comprehensive income	7,037,490	4,394,812
- financial assets at fair value through profit or loss	330,240,006	387,434,042
Net unrealised gain in fair value of financial assets at fair value through profit and loss	287,951,416	551,938,420
	625,228,912	943,767,274

8 Net claims incurred

	2020 HK$	2019 HK$
(Increase)/decrease in gross outstanding claims	(39,409,542)	475,765
Increase/(decrease) in recoverable from reinsurance of outstanding claims	28,948,285	(22,086,144)
Increase in net outstanding claims	(10,461,257)	(21,610,379)
Gross claims paid	(123,856,742)	(107,778,128)
Reinsurance claims recoveries	107,571,336	93,090,852
Increase in provision for unexpired risk	(1,572,000)	(439,000)
Net claims incurred	(28,318,663)	(36,736,655)

9(a) Staff costs

	2020 HK$	2019 HK$
Staff costs represent the amounts paid and payable to directors and other staff which comprises:		
Salaries, bonus, allowances and commission	361,706,886	328,125,552
Contributions to retirement benefits scheme	3,631,258	5,137,456
	365,338,144	333,263,008

9(b) Benefits and interests of directors (disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G))

	2020 HK$	2019 HK$
Directors' emoluments:		
Salaries, bonus and other emoluments	9,624,416	7,368,761

During the year, no termination benefits were paid by the Group to any of its directors and the Group did not incur any payment to third parties for making available directors' services (2019: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. (2019: Nil).

10 Finance costs

	2020 HK$	2019 HK$
Interest on:		
Bank loans and other borrowings wholly repayable within five years	316,559,823	376,812,321
Financial assets sold under repurchase agreements	9,557,339	10,968,662
Amount due to a fellow subsidiary	843,019	852,124
Notes issued	504,925,777	633,368,215
Lease liabilities	4,065,057	1,467,446
Derivative financial instruments	69,080,351	21,734,832
	905,031,366	1,045,203,600

11 Profit before income tax

	2020 HK$	2019 HK$
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration		
- Audit services	5,257,651	7,457,047
- Non audit services	920,100	811,200
Depreciation of property and equipment (Note13(a))	6,017,760	8,795,162
Depreciation of investment properties (Note 14)	3,887,150	3,887,150
Net exchange loss/(gain)	94,711,110	(111,600,169)
Rental expenses	5,081,287	24,308,443
Depreciation of right-of-use assets (Note13(b))	57,339,559	30,997,145
Information system expenses	20,720,746	16,733,405
Financial advisory fee	32,799,042	31,256,161
Office building management fee	10,298,187	9,525,942
Commission expense	8,300,591	5,481,711
Travelling expense	5,707,660	15,403,420
Legal and other professional fee	6,274,273	6,539,849

12 Taxation

	2020 HK$	2019 HK$
Current year:		
Hong Kong Profits Tax		
- charge for the year	181,039,480	119,092,268
- (over)/under-provision for prior year	(8,079,500)	190,602
PRC Enterprise Income Tax		
- charge for the year	162,764,091	159,811,420
- over-provision for prior year	(2,173,482)	(802,329)
Deferred taxation		
- current year	(30,431,311)	(69,528,301)
	303,119,278	208,763,660

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits and PRC Enterprise Income Tax is calculated at 25% (2019: 25%) on the estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2020 HK$	2019 HK$
Profit before income tax	1,080,632,538	1,582,687,632
Taxation at income tax rate of 16.5% (2019: 16.5%)	178,304,369	261,143,459
Effect of different tax rates of group entities outside Hong Kong	767,660	22,607,306
Tax effect of expenses not deductible for tax purpose	110,340,031	177,472,766
Tax effect of income not taxable for tax purpose	(60,273,696)	(249,773,229)
Over-provision in prior year	(10,252,982)	(611,727)
Utilisation of tax losses previously not recognised	-	(2,082,670)
Utilization of deferred tax assets in current year	255,587	-
Tax effect of tax losses not recognised	-	7,755
Unrecognised temporary difference	83,978,309	-
Taxation for the year	303,119,278	208,763,660

12 Taxation (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority. The following is the analysis of the deferred tax balances:

	2020 HK$	2019 HK$
Deferred tax assets	195,490,304	185,098,943
Deferred tax liabilities	(146,889,535)	(84,284,291)
Net	48,600,769	100,814,652

(1) The major components of deferred tax assets/(liabilities) recorded in the consolidated statement of financial position and the movements during the year are as follows:

	Impairment loss on investment HK$	Decelerated tax depreciation HK$	Fair value changes HK$	Provision for salaries and bonus HK$	Tax losses HK$	Total HK$
At 1 January 2019	76,207,907	(7,694,727)	(70,319,284)	14,303,269	16,229,791	28,726,956
Credited to other comprehensive income	-	-	2,559,395	-	-	2,559,395
(Charged)/credited to profit or loss	83,010,198	(480,751)	16,129,762	(14,309,180)	(14,821,728)	69,528,301
At 31 December 2019 and 1 January 2020	159,218,105	(8,175,478)	(51,630,127)	(5,911)	1,408,063	100,814,652
Charged to other comprehensive income	-	-	(82,645,194)	-	-	(82,645,194)
(Charged)/credited to profit or loss	(101,773,735)	(765,767)	63,258,161	6,544,388	63,168,264	30,431,311
At 31 December 2020	57,444,370	(8,941,245)	(71,017,160)	6,538,477	64,576,327	48,600,769

12 Taxation (Continued)

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Impairment loss on investment	1,099,877,648	265,916,397	719,772,107	177,362,214
Decelerated tax depreciation	9,717,188	1,603,336	9,963,971	1,644,055
Fair value changes	193,940,363	48,485,091	123,409,345	30,852,336
Provision for salaries and bonus	31,235,843	7,808,960	33,343,016	8,335,806
Tax loss	259,482,737	64,870,684	265,398,365	65,637,733
Subtotal	1,594,253,779	388,684,468	1,151,886,804	283,832,144
Deferred tax liabilities				
Fair value changes	(47,591,887)	(329,539,119)	(466,956,760)	(173,197,959)
Investment properties	(63,906,548)	(10,544,580)	(59,512,323)	(9,819,533)
Subtotal	(111,498,435)	(340,083,699)	(526,469,083)	(183,017,492)
Net	1,482,755,344	48,600,769	625,417,721	100,814,652

At 31 December 2020, the deferred tax assets in respect of tax losses of approximately HK$23,656,999 (2019: HK$23,631,076) have not been recognised due to the unpredictability of future profit streams to utilised such losses. Unrecognised tax losses amounted to HK$143,375,751 (2019: HK$143,218,643) has no expiry date.

13(a) Property and equipment

	Land and buildings HK$	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Motor vehicle HK$	Computer and equipment HK$	Total HK$
Cost							
At 1 January 2019	71,482,749	29,814,365	13,382,235	14,154,439	6,295,800	25,094,896	160,224,484
Additions	-	4,800,172	1,492,615	634,370	-	2,661,880	9,589,037
Disposal	-	-	(480,873)	-	-	(9,068)	(489,941)
Effect of foreign currency exchange differences	-	(148,597)	(77,707)	(87,006)	(92,301)	(117,945)	(523,556)
At 31 December 2019 and 1 January 2020	71,482,749	34,465,940	14,316,270	14,701,803	6,203,499	27,629,763	168,800,024
Additions	-	3,530,481	909,466	2,086,901	797,114	3,235,551	10,559,513
Disposal	-	-	(576,797)	(129,121)	-	-	(705,918)
Effect of foreign currency exchange differences	-	430,723	233,850	248,180	265,705	463,631	1,642,089
At 31 December 2020	71,482,749	38,427,144	14,882,789	16,907,763	7,266,318	31,328,945	180,295,708
Accumulated depreciation							
At 1 January 2019	10,931,748	27,138,877	11,639,827	12,912,471	6,027,455	21,620,460	90,270,838
Provided for the year	680,479	3,237,162	1,140,347	824,723	150,507	2,761,944	8,795,162
Elimination on disposal	-	-	(480,873)	-	-	(9,068)	(489,941)
Effect of foreign currency exchange differences	-	(143,180)	(67,307)	(79,859)	(89,061)	(98,438)	(477,845)
At 31 December 2019 and 1 January 2020	11,612,227	30,232,859	12,231,994	13,657,335	6,088,901	24,274,898	98,098,214
Provided for the year	680,479	2,025,993	661,785	852,482	61,705	1,735,316	6,017,760
Elimination on disposal	-	-	(576,797)	(129,121)	-	-	(705,918)
Effect of foreign currency exchange differences	-	427,325	210,184	75,591	258,822	367,343	1,339,265
At 31 December 2020	12,292,706	32,686,177	12,527,166	14,456,287	6,409,428	26,377,557	104,749,321
Carrying values							
At 31 December 2020	59,190,043	5,740,967	2,355,623	2,451,476	856,890	4,951,388	75,546,387
At 31 December 2019	59,870,522	4,233,081	2,084,276	1,044,468	114,598	3,354,865	70,701,810

13(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 HK$	2019 HK$
Right-of-use assets		
Buildings	123,634,797	93,593,906
	123,634,797	93,593,906
Lease Liabilities		
Current	72,747,498	42,030,153
Non-current	49,861,782	49,536,165
	122,609,280	91,566,318

Additions to the right-of-use assets during the 2020 financial year were HK$84,110,708 (2019: HK$76,031,851. There were HK$61,791,592 (2019: HK$20,771,808) additions based on the rental agreements signed between the Group and a branch of the immediate holding company.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020 HK$	2019 HK$
Depreciation charge of right-of-use assets		
Buildings	57,339,559	30,997,145
	57,339,559	30,997,145
Interest expense (included in finance cost)	4,065,057	1,467,446
Expense relating to short-term leases (included in other operating expenses)	5,081,287	24,308,443

The total cash outflow for leases in 2020 was HK$60,773,990 (2019: HK$34,462,001).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

14 Investment properties

	HK$
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	390,682,206
Accumulated depreciation:	
At 1 January 2019	81,113,027
Provided for the year	3,887,150
At 31 December 2019	85,000,177
Provided for the year	3,887,150
At 31 December 2020	88,887,327
Net book value:	
At 31 December 2020	301,794,879
At 31 December 2019	305,682,029

All of the investment properties of the Group are located in the Hong Kong. The fair value of the Group's investment properties as at 31 December 2020 and 2019 are HK$1,305,682,500 and HK$1,520,639,500, respectively according to the Property Valuation Reports issued by C S Surveyors Limited, which is an independent qualified valuer in Hong Kong on the basis of market value. Investment properties would be classified as Level 2 under fair value hierarchy as at 31 December 2020 and 2019.

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

15 Financial assets at fair value through other comprehensive income

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

15 Financial assets at fair value through other comprehensive income (Continued)

(i) Classification of financial assets at fair value through other comprehensive income (Continued)

	2020 HK$	2019 HK$
Balance at 1 January	1,728,736,326	1,441,185,558
Additions	4,242,644,199	469,595,313
Disposals	(237,748,273)	(179,184,837)
Net change transfer to equity (Note a)	373,240,243	26,414,493
Amortisation	(850,586)	(820,153)
Exchange realignment	85,805,782	(28,454,048)
Balance at 31 December	6,191,827,691	1,728,736,326
Unlisted equity securities	1,508,827,331	1,109,639,348
Debt securities listed in Hong Kong (Note b)	4,683,000,360	619,096,978
	6,191,827,691	1,728,736,326

Note:

(a) During the year ended 31 December 2020, certain equity investments with fair value of HK$35,674,993 were disposed of as these investments no longer suited the Group's investment strategy and the Group did not realise any gain of disposal.

(b) On disposal of these debt securities, any related balance within the financial assets at fair value through other comprehensive income reserve is reclassified to profit or loss.

(ii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	2020 HK$	2019 HK$
Fair value gains recognised in other comprehensive income, net of deferred tax	366,202,754	22,019,681
Gains reclassified from other comprehensive income to profit or loss on the sale of financial assets at fair value through other comprehensive income	7,037,490	4,394,812

15 Financial assets at fair value through other comprehensive income (Continued)

(iii) Fair value, impairment and risk exposure

Debt securities at fair value through other comprehensive income are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

Movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

	Total HK$
Balances as at 1 January 2019	210,965
Provision for impairment losses	2,093,108
Exchange realignment	(11,288)
Balances as at 31 December 2019	2,292,785
Provision for impairment losses	7,994,359
Exchange realignment	(13,113)
At the end of the year	10,274,031

16 Financial assets at amortised cost

	2020 HK$	2019 HK$
Listed bonds (Note i)	1,424,576,678	1,000,976,884
Private bonds (Note ii)	1,790,851,076	669,755,100
Entrusted loans (Note iii)	1,303,407,633	1,213,468,102
Secured loans (Note iv)	2,291,445,155	6,072,051,404
	6,810,280,542	8,956,251,490
Less: Impairment allowances on financial assets at amortised cost (Note v)	(1,023,392,789)	(802,527,688)
	5,786,887,753	8,153,723,802

Notes:

(i) Included in the above listed bonds are investments of HK$1,193,334,521 (2019: HK$770,130,800) listed in Hong Kong and HK$231,242,157 (2019: HK$230,846,084) listed in Singapore.

(ii) The private bonds bear interest at rates ranging from 7% to 8.5% (2019: 8.5%). As at 31 December 2020, expected credit loss amounted to HK$7,312,758 for the private bonds (2019: HK$2,216,180).

(iii) The entrusted loans bear interest at rates ranging from 7.7% to 15% (2019: 6% to 13%).

(iv) As at 31 December 2020 and 2019, the entire Group's secured loans are secured by unlisted securities and assets.

16 Financial assets at amortised cost (Continued)

(v) As at 31 December 2020, the Group's exposure of credit-impaired Stage 3 financial assets at amortised cost covered by collateral and pledge of the Group was HK$455,371,064 (2019: HK$393,310,053).

(vi) At the end of the reporting period, the carrying amounts of the Group's financial assets at amortised cost approximate to their fair values.

Movements in impairment allowances for financial assets at amortised cost are as follows:

	Total HK$
Balances as at 1 January 2019	428,397,181
Provision for impairment losses	386,709,940
Exchange realignment	(12,579,433)
Balances as at 31 December 2019	802,527,688
Provision for impairment losses	308,119,439
Written off	(142,132,203)
Exchange realignment	54,877,865
At the end of the year	1,023,392,789

17 Amounts due from/to related parties

	2020 HK$	2019 HK$
Amount due from certain branches of the immediate holding company (Note 32)	224,534,122	233,533,656
Amount due to a branch of the immediate holding company (Note 32)		
- interest payable	-	676,123
- guarantee fee payable	-	31,540,793
- current account	-	37,249
	-	32,254,165
Amount due to a fellow subsidiary (Note 32)	59,407,823	55,817,300

The amount due from and the amount due to immediate holding company are unsecured, non-interest bearing and repayable on demand.

As at 31 December 2020, amount due to a fellow subsidiary amounted to HK$59,407,823 (2019: HK$55,817,300) is unsecured, bearing interest at a fixed rate of 1.5% per annum and mature in 2021.

18 Reinsurance assets

Reinsurance assets mainly represent the reinsurers' share of outstanding claims and unearned premiums.

	2020 HK$	2019 HK$
Claims recoverable from reinsurance comprises:		
Reported claims (Note 24)	141,762,440	131,426,155
Claims incurred but not reported (Note 24)	147,239,000	128,627,000
	289,001,440	260,053,155
Unearned premiums (Note 25)	75,115,000	69,813,581
	364,116,440	329,866,736

19 Account and trade receivables

During the year, the Group has re-considered the form of presentation of account and trade receivables on the face of consolidated statement of financial position, and considered that the combined disclosure of incorporating accrued fee income under account and trade receivables on the face of consolidated statement of financial position would better reflect the underlying nature and allow a more understandable presentation of the Group's financial position. Accordingly, the comparative figures of account and trade receivables on the face of the consolidated statement of financial position on page 10 have been re-presented. Accrued fee income is included in trade receivable arising from business of corporate finance activities and financial advisory below, other than that the classification and amount of each category in note 19 have not changed.

	2020 HK$	2019 HK$
Account receivables arising from the business of securities dealing and brokerage:		
-Cash clients (Note i)	27,542,693	10,842,447
-Margin clients (Note ii)	3,071,213,589	2,100,253,371
-Clearing houses and brokers (Note i)	74,383,614	39,540,691
-Clients for subscription of new shares in IPO and other placing transaction receivables (Note iii)	441,558,490	402,898
	3,614,698,386	2,151,039,407
Trade receivables arising from:		
-Insurance business (Note iv)	43,777,221	47,344,397
-Business of corporate finance activities and financial advisory (Note v)	92,896,312	96,686,881
-Asset management business (Note vi)	4,684,223	3,955,876
	3,756,056,142	2,299,026,561
Less: Impairment allowances on account and trade receivables	(2,977,007)	(67,869,789)
	3,753,079,135	2,231,156,772

19 Account and trade receivables (Continued)

The settlement terms of account receivables arising from the business of securities dealing and broking excluding margin clients are two days after trade date.

Notes:

(i) In respect of the account receivable from cash clients, clearing houses and brokers arising from securities dealing, the aging analysis, prepared with reference to trade date, is as follows:

	2020 HK$	2019 HK$
Not-yet-due	98,492,572	47,796,518
3 - 30 days	2,067,639	2,402,522
31 - 60 days	1,157,167	45,155
61 - 90 days	69,757	198
Over 90 days	139,172	138,745
	101,926,307	50,383,138
Represented by:		
Cash clients	27,542,693	10,842,447
Clearing houses and brokers	74,383,614	39,540,691
	101,926,307	50,383,138

The balances are included as part of and secured by the respective clients' portfolio who have client securities at fair values of HK$523,244,008 (2019: HK$435,783,730). In the opinion of the management and taking into accounts of the securities held relating to these trade receivables, impairment allowance of HK$136,799 (2019: HK$135,055) is made.

Movements in impairment allowances for account receivable from cash clients are as follows:

	Total HK$
Balances as at 1 January 2019	133,509
Provision for impairment losses	1,546
Balances as at 31 December 2019	135,055
Exchange realignment	1,744
At the end of the year	136,799

19 Account and trade receivables (Continued)

Notes: (Continued)

(ii) Loans to margin clients are secured by clients' pledged securities at fair values of approximately HK$11,986,503,280 (2019: HK$7,993,597,529) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at variable commercial rates.

No aging analysis is disclosed for margin clients as in the opinion of directors of the Company, the aging analysis of margin loans does not give additional value in view of the nature of business of securities margin financing.

(iii) Trade receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.

Placing transaction receivables from clients and others are unsecured, non-interest bearing and not yet due. Impairment allowance of HK$2,552 (2019: HK$8,058) is provided for placing transaction receivables from clients and others.

Movements in impairment allowance for placing transaction receivables from client and others are as follow:

	Total HK$
Balances as at 1 January 2019	5,580,072
Provision for impairment losses	(5,572,014)
Balances as at 31 December 2019	8,058
Provision for impairment losses	(5,506)
At the end of the year	2,552

19 Account and trade receivables (Continued)

Notes: (Continued)

(iv) All trade receivables arising from insurance business are expected to be recovered within one year.

The average credit period on insurance trade receivables is 3 months. No interest is charged on the insurance trade receivables. The following is an aging analysis of insurance trade receivables at the end of the reporting date:

	2020 HK$	2019 HK$
0 - 3 months	25,801,325	8,919,294
4 - 6 months	11,553,057	17,395,640
Over 6 months	6,422,839	21,029,463
	43,777,221	47,344,397

Included in the Group's trade receivables arising from insurance business are debtors with an aggregate carrying amount of HK$17,975,896 (2019: HK$38,425,103) which are considered as past due but not impaired at the end of the reporting date. These receivables are mainly derived from transactions with overseas counterparties which normally take longer time to process. As the Group has regular reconciliations and continuous settlements for such accounts, management considers that these balances are not impaired.

(v) The following is an aging analysis of class of trade receivables from the businesses of corporate finance activities and financial advisory at the end of the reporting date:

	2020 HK$	2019 HK$
0 - 3 months	75,129,465	70,466,398
4 - 6 months	14,075,487	2,952,996
7 - 12 months	2,387,126	22,624,822
Over 12 months	1,304,234	642,665
	92,896,312	96,686,881

19 Account and trade receivables (Continued)

Notes: (Continued)

(v) The following is an aging analysis of class of trade receivables from the businesses of corporate finance activities and financial advisory at the end of the reporting date: (Continued)

Movements in impartment allowances for trade receivables from the business of corporate finance activities and financial advisory are as follows:

	Total HK$
Balance as at 1 January 2019	1,914,079
Provision for impairment losses	414,694
Exchange realignment	-
Balance as at 31 December 2019	2,328,773
Provision for impairment losses	606,032
Written off	(491,605)
Exchange realignment	(3,019)
At the end of the year	2,440,181

(vi) All trade receivables from asset management business amounted to HK$4,684,223 (2019: HK$3,955,876) were past due but not impaired. The following is an aging analysis of class of trade receivables from asset management business at the end of the reporting date:

	2020 HK$	2019 HK$
0 - 3 months	4,641,475	3,002,042
4 - 6 months	42,748	659,496
7 - 12 months	-	56,375
Over 12 months	-	237,963
	4,684,223	3,955,876

20 Other receivables, deposits and prepayments

	2020 HK$	2019 HK$
Utility and rental deposits	24,383,738	17,281,108
Prepayments	23,063,490	278,654,081
Interest receivable	119,166,814	110,369,593
Dividend receivable	35,742,690	47,857,595
	202,356,732	454,162,377

Impairment allowance of HK$69,251,471 (2019: HK$27,940,473) is provided for other receivables and deposits with a carrying amount of HK$271,608,203 (2019: HK$482,102,850).

Movements in impairment allowances for other receivables and deposits are as follows:

	Total HK$
Balances as at 1 January 2019	3,911,291
Provision for impairment losses	22,782,512
Exchange realignment	1,246,670
Balances as at 31 December 2019	27,940,473
Provision for impairment losses	82,637,554
Written off	(43,702,663)
Exchange realignment	2,376,107
At the end of the year	69,251,471

21 Financial assets and financial liabilities at fair value through profit or loss

	2020 HK$	2019 HK$
Convertible bonds, preference shares, and senior notes with warrants/options		
- convertible bonds	-	76,551,629
- preference shares	1,841,533,309	1,858,597,374
- senior notes with warrants/options	439,650,063	1,417,636,410
	2,281,183,372	3,352,785,413
Loans with derivatives	-	233,974,544
Funds/trusts		
- investment in funds which are managed by subsidiaries of the Group (Note a)	291,964,071	402,796,695
- investment in funds which are managed by third party (Note a)	6,553,293,890	5,679,053,838
- investment in trusts (Note a)	1,145,881,149	1,687,597,199
	7,991,139,110	7,769,447,732
Listed securities		
- investment in listed preference shares and bonds	1,661,188,450	1,408,474,795
- investment in listed equity securities	1,916,823,307	2,133,939,519
	3,578,011,757	3,542,414,314
Restricted listed securities	239,739,859	154,609,902
Securities with embedded options	146,673,932	418,294,408
Unlisted equity securities		
- investment in equity interest in entities (Note b)	5,282,475,274	5,058,451,351
	19,519,223,304	20,529,977,664
Financial liabilities measured at fair value through profit or loss		
Listed equity securities	-	364,408,753

21 Financial assets and financial liabilities at fair value through profit or loss (Continued)

Notes:

(a) The Group invested in unconsolidated funds and trusts. Detailed analysis is disclosed in Note 36 to the consolidated financial statements.

(b) In the opinion of the directors, there is no control exercised by the Group in these entities.

(c) The management considers certain associates and joint ventures are held by, or is held indirectly through, the Group's venture capital organisations and are accounted for under fair value measurement basis. These associates and joint ventures are included in these investments with the carrying amounts of HK$1,463,325,287 (2019: HK$1,359,743,090) and HK$21,301,983 (2019: HK$15,743,928) respectively.

Venture capital organisations designated as financial assets at fair value through profit or loss are classified as below:

	2020 HK$	2019 HK$
Investment in funds	850,224,154	790,820,204
Investment in unlisted equity securities	634,403,116	584,666,814
	1,484,627,270	1,375,487,018

22 Financial assets held under resale agreements

	2020 HK$	2019 HK$
Analysed by type of collateral:		
PRC government bonds	514,234,114	283,998,422

The Group enters into short-term investment arrangements secured by PRC government bonds. The PRC government bonds held are not recognised on the statement of financial position.

As at 31 December 2020, the financial assets held under resale agreements will mature within 8 to 15 days (2019: 2 to 46 days) from the purchase date, with interest rates ranging from 3.47% to 4.37% (2019: ranging from 2.95% to 3.185%) per annum. The carrying amount of the securities purchased under resale agreements approximate to their fair value.

23 Bank balances and cash

	2020 HK$	2019 HK$
Bank balances		
- general accounts (note i)	3,509,143,941	3,769,477,809
- segregated accounts (note ii)	1,780,769,054	766,326,107
Cash in hand	-	42,108
	5,289,912,995	4,535,846,024

23 Bank balances and cash (Continued)

	2020 HK$	2019 HK$
Cash and cash equivalents as disclosed in consolidated statement of cash flows	3,379,466,474	3,624,394,937
Fixed deposits with original maturity over three months	129,677,467	145,124,980
Other bank balances - segregated accounts	1,780,769,054	766,326,107
	5,289,912,995	4,535,846,024

Notes:

(i) The general accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rate.

(ii) The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions as the Group does not have a currently enforceable right to offset those payables with the deposits placed.

24 Outstanding claims

	2020 HK$	2019 HK$
Gross outstanding claims comprise:		
Reported claims	171,913,895	158,027,353
Claims incurred but not reported	189,719,000	164,196,000
	361,632,895	322,223,353
Claims recoverable from reinsurance comprises:		
Reported claims (Note 18)	(141,762,440)	(131,426,155)
Claims incurred but not reported (Note 18)	(147,239,000)	(128,627,000)
	(289,001,440)	(260,053,155)
	72,631,455	62,170,198

The remaining contractual maturity for all outstanding claims is within one year or on demand.

24 Outstanding claims (Continued)

Movements in outstanding claims are set out as follows:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	322,223,353	(260,053,155)	62,170,198	322,699,118	(282,139,299)	40,559,819
Net change in reported claims	137,743,283	(117,907,620)	19,835,663	135,965,363	(112,194,708)	23,770,655
Net change in claims incurred but not reported	25,523,000	(18,612,000)	6,911,000	(28,663,000)	41,190,000	12,527,000
Cash paid for claims settled	(123,856,741)	107,571,335	(16,285,406)	(107,778,128)	93,090,852	(14,687,276)
At 31 December	361,632,895	(289,001,440)	72,631,455	322,223,353	(260,053,155)	62,170,198

25 Unearned premiums

	2020 HK$	2019 HK$
Gross unearned premiums	85,981,806	81,165,728
Recoverable from reinsurance of unearned premiums (Note 18)	(75,115,000)	(69,813,581)
Net unearned premiums	10,866,806	11,352,147

The remaining contractual maturity for all unearned premiums is within one year.

Movements in unearned premiums are set out as follows:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	81,165,728	(69,813,581)	11,352,147	88,595,778	(76,739,991)	11,855,787
Premium earned during the year	(251,653,927)	213,365,085	(38,288,842)	(251,664,163)	207,520,310	(44,143,853)
Premium written during the year	256,470,005	(218,666,504)	37,803,501	244,234,113	(200,593,900)	43,640,213
At 31 December	85,981,806	(75,115,000)	10,866,806	81,165,728	(69,813,581)	11,352,147

26 Trade payables

	2020 HK$	2019 HK$
Trade payables arising from the business of securities dealing and brokerage:		
Cash clients	1,035,269,290	343,743,213
Margin clients	637,266,314	394,144,708
Clearing houses and brokers	1,893,880	129,121,792
Others	652,283	652,174
	1,675,081,767	867,661,887
Trade payables arising from asset management business	194,632,274	107,373,825
Trade payables arising from insurance business	30,903,579	26,981,643
	1,900,617,620	1,002,017,355

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date, except for the trade payables to margin clients, which are repayable on demand.

27 Borrowings

	2020 HK$	2019 HK$
Unsecured bank borrowing from immediate holding company (Note a), (Note 32)	-	1,265,095,710
Other unsecured bank borrowing (Note b)	6,023,222,399	8,428,365,094
Unsecured other borrowings (Note c)	3,355,353,833	4,175,100,550
	9,378,576,232	13,868,561,354
Analysed by maturity period:		
More than 12 months	2,970,391,141	3,125,768,800
Not more than 12 months	6,408,185,091	10,742,792,554
	9,378,576,232	13,868,561,354

27 Borrowings (Continued)

Notes:

(a) As at 31 December 2019, the amount represents one short-term unsecured bank loan from immediate holding company which was repayable within one year. The average effective interest rate was 0.74% per annum.

(b) The amount represents unsecured bank loans from other financial institutions. The effective interest rate for the borrowings ranges from 0.7% to 3.8% (2019: 0.7% to 5.5%) per annum.

(c) The Group borrowed loans of aggregate amount of RMB2,824,000,000 (2019: RMB3,739,970,000) through entrusted loans. The effective interest rate ranges from 4.04 % to 4.35% (2019: 4.04% to 5.70%) per annum.

(d) The fair value of borrowings approximate to their carrying amount, as the impact of discounting is not significant.

(e) As at 31 December 2020, the Group has obtained banking and other facilities amounting to HK$39,180,285,338 (2019: HK$44,629,939,000), out of which three banking facilities of HK$6,644,800,000 (2019: HK$9,004,980,000) have been granted by the immediate holding company. As at 31 December 2020, banking and other facilities of HK$9,378,576,232 has been drawn down (2019: HK$13,868,561,354).

28 Notes issued

	2020 HK$	2019 HK$
Guaranteed US dollars denominated notes	15,824,275,136	10,065,342,661
Guaranteed RMB denominated notes	592,865,449	-
Non-guaranteed RMB denominated notes	3,563,228,185	3,346,239,146
	19,980,368,770	13,411,581,807

On 22 June 2020, a wholly-owned subsidiary of the Company issued RMB500,000,000 guaranteed notes. The notes will mature on 22 June 2023, with interest at 3.8% per annum and payable annually. The notes are unconditionally guaranteed by the Company.

On 15 July 2020, a wholly-owned subsidiary of the Company issued USD450,000,000 guaranteed notes. The notes will mature on 15 July 2023, with interest at 1.5% per annum and payable semi-annually. The notes are unconditionally guaranteed by the Company.

On 3 September 2020, a wholly-owned subsidiary of the Company issued USD800,000,000 guaranteed notes. The notes will mature on 3 September 2025, with interest at 1.65% per annum and payable semi-annually. The notes are unconditionally guaranteed by the Company.

As at 31 December 2020 and 2019, the fair value of the notes approximate to their carrying value.

29 Financial assets sold under repurchase agreements

	2020 HK$	2019 HK$
Analysed by type of collateral:		
Income right of unlisted equity securities	-	334,903,800
	-	334,903,800
Analysed by maturity period:		
Non-current	-	-
Current	-	334,903,800
	-	334,903,800

The Group entered into transactions in which it transferred income rights of financial assets directly to third parties. These transfers will not give rise to derecognition of the financial assets concerned as all the risks and rewards of ownership are not transferred and control is retained.

As at 31 December 2019, the financial assets sold under repurchase agreements bear interest rates at 4.75% to 5.5% per annum.

30 Derivative financial instruments

	2020 HK$	2019 HK$
Liabilities		
Interest rate swap contracts – cash flow hedges	32,683,691	58,114,207
Analysed by maturity period:		
Non-current	-	37,333,600
Current	32,683,691	20,780,607
	32,683,691	58,114,207

As at 31 December 2020, the Group has an (2019: two) outstanding interest rate swap contract with maturity date falling in one (2019: two to three) year with an authorized financial institution for the purpose of hedging of the interest rate risk arising from the notes issued (Note 28) by the Group. Further details of the derivative financial instruments are set out in Note 3.1(a)(iii).

30 Derivative financial instruments (Continued)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting are recognised in the hedging reserve in equity. There was no ineffectiveness during 2020 in relation to the interest rate swaps.

The Group's hedging reserve related to following hedging instruments:

	Cash flow hedge reserve HK$	Total hedging reserve HK$
At 1 January 2019	(33,067,101)	(33,067,101)
Change in fair value of hedging instruments recognised in other comprehensive income	(25,047,106)	(25,047,106)
At 31 December 2019 and 1 January 2020	(58,114,207)	(58,114,207)
Change in fair value of hedging instruments recognised in other comprehensive income	25,430,516	25,430,516
At 31 December 2020	(32,683,691)	(32,683,691)

31 Share capital

	2020 HK$	2019 HK$
Ordinary shares, issued and fully paid:		
As at 1 January and 31 December	4,113,392,450	4,113,392,450

32 Related party transaction

Other than as disclosed elsewhere in the financial statements, the Group had the following significant transactions between related parties:

		2020 HK$	2019 HK$
(i)	Underwriting commission fee to the immediate holding company (Note a)	1,207,879	1,102,582
(ii)	Interest income from branches of the immediate holding company (Note b)	10,988,034	37,773,906
(iii)	Underwriting commission income, financial advisory fees and management fee income from branches of the immediate holding company (Note c)	234,429,170	272,537,710
(iv)	Rental expenses to a branch of the immediate holding company (Note d) -For rental under operating lease -For right-of-use assets	302,489 32,568,529	886,064 26,344,698
(v)	Guarantee fee paid to a branch of the immediate holding company (Note e)	28,652,325	40,626,617
(vi)	Amount due to a branch of the immediate holding company (Note 17)	-	32,254,165
(vii)	Financial advisory fees to certain branches of the immediate holding company (Note c)	2,566,825	3,535,791
(viii)	Interest expenses to certain branches of the immediate holding company (Note f)	19,327,463	14,174,361
(ix)	Interest expenses to a fellow subsidiary (Note g)	843,019	852,124
(x)	Bank charges to certain branches of the immediate holding company (Note h)	1,534,102	123,424
(xi)	Bank balance deposited in branches of the immediate holding company (Note 23)	2,954,971,701	1,858,028,790
(xii)	Bank borrowing from a branch of the immediate holding company (Note 27)	-	1,265,095,710

32 Related party transaction (Continued)

		2020 HK$	2019 HK$
(xiii)	Amount due to a fellow subsidiary (Note 17)	59,407,823	55,817,300
(xiv)	Amount due from certain branches of the immediate holding company (Note 17)	224,534,122	233,533,656
(xv)	Lease liabilities to certain branches of the immediate holding company (Note 13b)	74,007,628	42,520,568
(xvi)	Right-of-use assets to certain branches of the immediate holding company (Note 13b)	69,249,753	67,686,476

Notes:

(a) Underwriting commission fee is paid to the immediate holding company for the provision of underwriting services. The charges are based on the fee schedules signed between parties.

(b) Interest income is received from branches of the immediate holding company at prevailing market rate.

(c) Underwriting commission income, financial advisory and management fees are received from and paid to certain branches of the immediate holding company for the services performed and received respectively. The fees are calculated based on the fee agreement signed between parties.

(d) Rental expense is paid to the immediate holding company based on the rental agreements signed between the Group and a branch of the immediate holding company.

(e) Guarantee fee expense for the guaranteed notes issued (Note 28) is paid to the Hong Kong branch of the immediate holding company based on the fee agreement signed between parties. The amount disclosed above represent amount recognised in consolidated statement of comprehensive income during the year. The Group paid US$2,550,000 to the Hong Kong branch of the immediate holding company in respect of the financial guarantee during the year of 2020.

(f) Interest expenses are paid to certain branches of the immediate holding company at prevailing market interest rate.

(g) Interest expenses are paid to a fellow subsidiary at fixed rate stated in the agreement signed between parties.

(h) Bank charges are paid to certain branches of the immediate holding company based on the fee schedules that would be available to third parties.

Key management compensation

The management considered that the directors of the Company are the key management. Their compensation are disclosed in Note 9 to the consolidated financial statements.

33 Commitments and guarantees

(a) Non-cancellable operating leases

Minimum lease receipts under operating leases for the Group during the year are follows:

	2020 HK$	2019 HK$
The Group as lessor		
Within one year	21,439,825	26,236,180
Between 1 and 2 years	11,681,182	3,555,268
	33,121,007	29,791,448

(b) Fund commitments

	2020 HK$	2019 HK$
Outstanding commitments to the funds managed by the Group	221,488,794	72,562,460

34 Balance sheet and reserve movement of the Company

	Note	2020 HK$	2019 HK$
Assets			
Property and equipment		9,633,280	8,103,055
Right-of-use assets		66,794,003	41,056,837
Investments in subsidiaries	34(b)	5,735,062,160	4,955,062,160
Deferred tax assets		1,768,653	1,644,055
Loans to subsidiaries		25,058,140,858	22,816,418,356
Amounts due from subsidiaries		879,727,849	739,668,478
Financial assets at fair value through profit or loss		459,236,480	598,748,653
Other receivables, deposits and prepayments		17,906,282	18,311,569
Bank balances and cash		1,682,698,258	1,135,951,172
Total assets		33,910,967,823	30,314,964,335
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		4,113,392,450	4,113,392,450
Retained earnings	34(a)	311,024,674	264,993,290
Hedging reserve	34(a)	(32,683,691)	(58,114,207)
Total equity		4,391,733,433	4,320,271,533
Liabilities			
Tax liabilities		10,569,782	40,364,104
Other payables and accruals		131,329,785	171,135,744
Lease liabilities		71,363,574	42,520,568
Loans from subsidiaries		16,787,721,724	10,625,654,928
Amounts due to subsidiaries		2,899,115,250	2,407,924,401
Derivative financial instruments		32,683,691	58,114,207
Borrowings		6,023,222,399	9,302,739,704
Notes issued		3,563,228,185	3,346,239,146
Total liabilities		29,519,234,390	25,994,692,802
Total equity and liabilities		33,910,967,823	30,314,964,335

The balance sheet of the Company was approved by the Board of Directors on - 1 JUN 2021 and was signed on its behalf:

Huang Haiqin
Director

Cao Yi
Director

34(a) Reserve movement of the Company

	Hedging Reserve HK$	Retained earnings HK$
Balance at 1 January 2019	(33,067,101)	134,984,585
Profit for the year	-	130,008,705
Effective portion of changes in fair value	(25,047,106)	-
Balance at 31 December 2019	(58,114,207)	264,993,290
Balance at 1 January 2020	(58,114,207)	264,993,290
Profit for the year	-	46,031,384
Effective portion of changes in fair value	25,430,516	-
Balance at 31 December 2020	(32,683,691)	311,024,674

34(b) Subsidiaries

The following is a list of principal subsidiaries at 31 December 2020:

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
ABCI Securities Company Limited	Hong Kong	HK$2,560,000,000	HK$1,780,000,000	100%	100%	Provision of securities brokerage services and margin financing services
ABCI Insurance Company Limited	Hong Kong	HK$500,000,000	HK$500,000,000	100%	100%	Provision of general insurance services
ABCI Insurance Broker Limited*	Hong Kong	HK$129,600,000	HK$129,600,000	100%	100%	Provision of insurance brokerage services
Smart Huge Investments Limited	Hong Kong	HK$428,000,000	HK$428,000,000	100%	100%	Property investment
ABCI Capital Limited	Hong Kong	HK$100,000,000	HK$100,000,000	100%	100%	Advisory services on corporate finance
ABCI Assets Management Limited	Hong Kong	HK$50,000,000	HK$50,000,000	100%	100%	Asset management
ABCI Investment Management Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Futures Limited	Hong Kong	HK$50,000,000	HK$50,000,000	100%	100%	Inactive

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2020: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
Harbor Prosper (HK) Investments Limited*	Hong Kong	HK$25,500,000	HK$25,500,000	100%	100%	Investment holding
Harbor Sure (HK) Investments Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Harbor Bloom (HK) Investments Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Inventive Global Investments Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCIAM*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
Absolute Joyous Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Silver Bloom Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Soar Shine Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Silver Sure (BVI) Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Zhan Hong Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Advance Wisdom Investments Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Smart Pioneer Inc Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Loving King Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Harmony Glory Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
ABC Silk Road Investment Management*	Hong Kong	US$100	US$100	80%	80%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2020: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
Sure Win Hong Kong Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Smarter Path Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Heroic Sky Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Double Colour Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Apex Prestige Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Era Success Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Horizon Best Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Glorious Align Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Faithful Way Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Cozy Pony Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Right Goodness Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABC One Belt One Road Capital Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Heroic Day Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Victorious Base Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Global Opportunities SPC*	Cayman Islands	US$100	US$100	100%	100%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2020: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
New China Innovation Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Wisdom Depot Investments Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Cloud Empire Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Abundant Favour Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Greater Merchant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Robust Knight Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Blue Swift Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Creation Knight Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Enlightenment Rich Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Clear Tide Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABC RMB Overseas Investment Fund GP*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
ABC RMB Overseas Investment Fund LP*	Cayman Islands	US$2	US$2	100%	100%	Investment holding
ACME Time Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Dynamic Move Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2020: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
Express Success Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Abundant Elegant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Innovative Investment*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
Ever Thriving Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Top Surge Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Excel Merchant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Start New Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
农银国际(中国)投资有限公司 (Formerly known as 农行国际投资咨询(北京)有限责任公司)	The People's Republic of China	RMB1,550,000,000	RMB1,550,000,000	100%	100%	Investment and financial consultancy
农银无锡投资咨询有限公司*	The People's Republic of China	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Investment holding and assets management
农银投（嘉兴）企业管理有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Investment and financial consultancy
农银国联无锡投资管理有限公司*	The People's Republic of China	RMB50,000,000	RMB50,000,000	70%	70%	Fund management
农银国际企业管理有限公司*	The People's Republic of China	RMB200,000,000	RMB200,000,000	100%	100%	Investment and financial consultancy
农银广德投资管理有限公司*	The People's Republic of China	RMB2,000,000	RMB2,000,000	100%	100%	Investment and financial consultancy
金穗(天津)投资管理有限公司*	The People's Republic of China	RMB3,000,000	RMB3,000,000	100%	100%	Investment and financial consultancy
农银金融科技有限责任公司*	The People's Republic of China	RMB100,000,000	-	100%	-	Financial technology service

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2020: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2020	2019	2020	2019	
农银国际（珠海横琴）投资基金管理有限公司 *	The People's Republic of China	RMB17,500,000	RMB17,500,000	100%	100%	Fund management
农银能投（北京）投资基金管理有限公司*	The People's Republic of China	RMB30,000,000	RMB30,000,000	100%	100%	Investment and financial consultancy
农银投资（嘉兴）有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Investment and financial consultancy
新余农银智盈投资管理合伙企业（有限合伙）*	The People's Republic of China	RMB150,100,000	RMB150,100,000	100%	100%	Investment and financial consultancy
农银国际投资（苏州）有限公司 *	The People's Republic of China	RMB600,000,000	RMB600,000,000	100%	100%	Investment and financial consultancy
宁波农银投资管理有限公司*	The People's Republic of China	RMB2,000,000	RMB2,000,000	100%	100%	Investment and financial consultancy
农银金穗（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB28,000,000	RMB28,000,000	100%	100%	Investment and financial consultancy
农银金鑫（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB10,000,000	RMB10,000,000	100%	100%	Investment and financial consultancy
农银启航（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB2,500,000	RMB2,500,000	100%	100%	Investment and financial consultancy
农银国际(湖南)投资管理有限公司*	The People's Republic of China	RMB10,000,000	RMB10,000,000	51%	51%	Investment and financial consultancy
广德农银铁路发展投资管理有限公司*	The People's Republic of China	RMB1,000,000	RMB1,000,000	100%	100%	Fund management
农银前海(深圳)投资基金管理有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Fund management
新余农银稳盈投资管理合伙企业（有限合伙）*	The People's Republic of China	RMB69,000,000	RMB69,000,000	100%	100%	Fund management
农银创新(北京)投资有限公司*	The People's Republic of China	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Investment holding
农银湖北产业基金管理有限公司*	The People's Republic of China	RMB500,000	RMB500,000	100%	100%	Investment holding
新余农银隆发投资合伙企业（有限合伙）*	The People's Republic of China	RMB755,252,894	RMB755,252,894	100%	100%	Fund management

* The subsidiary is indirectly held by the Company.

The total non-controlling interest as at 31 December 2020 is HK$93,504,695 (2019: HK70,785,266).

Cash and short-term deposits of HK$358,120,979 (2019: HK$410,873,376) are held in PRC and subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

35 Investment in associates and joint ventures

Particulars of the Group's principal associates are as follows:

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2020	2019	2020	2019	
四川省宜宾五粮液集团财务有限公司	The People's Republic of China	12.64%	19.5%	28.6%	28.6%	Financing
中核产业基金管理(北京)有限公司	The People's Republic of China	33.3%	33.3%	40%	40%	Asset management
新疆一带一路投资基金管理有限公司	The People's Republic of China	15.38%	15.38%	20%	20%	Asset management
新疆世纪嘉华股权投资合伙企业（有限合伙）(Formerly known as 新疆一带一路股权投资合伙企业)	The People's Republic of China	99%	99%	20%	20%	Investment management
新余北建工农银资产管理有限公司	The People's Republic of China	51%	51%	33%	33%	Investment management
浙江农银凤凰投资管理有限公司	The People's Republic of China	40%	40%	40%	40%	Investment management
农银无锡股权投资基金企业(有限合伙)	The People's Republic of China	53.23%	53.23%	80%	80%	Investment management
农银二号无锡股权投资中心(有限合伙)	The People's Republic of China	36.11%	36.11%	80%	80%	Investment management
融核产业发展基金(海盐)合伙企业(有限合伙)	The People's Republic of China	35.71%	35.71%	20%	20%	Investment management
信恩润实投资管理有限公司	The People's Republic of China	49%	49%	60%	60%	Investment management
铁建农银广德投资管理有限公司	The People's Republic of China	51%	51%	33%	33%	Investment management
成都农铁股权投资基金管理有限公司	The People's Republic of China	51%	51%	33%	33%	Asset management

35 Investment in associates and joint ventures (Continued)

Particulars of the Group's principal associates are as follows (Continued):

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2020	2019	2020	2019	
北京合敬中道科技产业投资合伙企业(有限合伙)(Note)	The People's Republic of China	2%	2%	2%	2%	Investment management
苏州工业园区睿律启教育投资合伙企业(有限合伙)	The People's Republic of China	24.9%	24.9%	24.9%	24.9%	Investment management

Note: The Group acts as a general partner of this investment which has significant influence.

Particulars of the Group's principal joint ventures are as follows:

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2020	2019	2020	2019	
北京城市副中心建设发展基金管理有限公司 (Formerly known as 北京市行政副中心建设发展基金管理有限公司)	The People's Republic of China	50%	50%	50%	50%	Asset management
铁建广德成长投资管理有限公司	The People's Republic of China	50%	50%	66.67%	66.67%	Investment management

All of these associates and joint ventures are accounted for under fair value measurement basis in these consolidated financial statements. The details of the fair value of the associates are disclosed in Note 21.

There is no significant restrictions on the ability of associates and joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the associates and joint ventures.

36 Structured entities

(a) Consolidated structured entities

Structured entities consolidated by the Group include certain funds managed and/or invested by the Group.

The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. As at 31 December 2020, the total assets of these consolidated structured entities were approximately HK$535 million (31 December 2019: approximately HK$534 million).

(b) Unconsolidated structured entities

The Group invested in certain structured entities, including investment funds, partnership investments and private equity investment with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests held by the Group in these structured entities are in the form of participating shares or interests which primarily provide the Group with the share of returns from the structured entities but not any decision making power nor any voting right to involve in and control the daily operation.

These structured entities are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the structured entities.

The directors considered the Group does not have control on the relevant activities of these unconsolidated structured entities so the Group did not consolidate these structured entities.

The Group invested in unconsolidated funds and trusts of which the size ranges from HK$11,882 to HK$2,635,000,000 each (2019: from HK$11,164 to HK$2,492,112,000 each). These investment funds mainly invested in listed and unlisted debt and equity securities, with a primary objective to provide the investors with capital appreciation and investment income.

The unfulfilled capital commitment to these funds by the Group was HK$221,488,794 (2019: HK$72,562,460) and the amount has been included in capital commitment in Note 33(b). For the year ended 31 December 2020 and 2019, the total income derived from involvement with unconsolidated structured entities are dividend income from investments of HK$305,934,692 (2019: HK$184,792,605) and management fee of HK$11,440,643 (2019: HK$3,912,669).

The Group classified its investment funds as financial assets at fair value through other comprehensive income, and financial assets designated at fair value through profit or loss as appropriate in Note 15 and Note 21.

37 Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$	Notes issued HK$	Financial assets sold under repurchase agreements HK$	Lease liabilities HK$	Total HK$
At 1 January 2019	15,637,922,294	17,401,099,953	228,258,400	48,245,743	33,315,526,390
Financing cash flows					
Proceeds from borrowings	9,830,908,718	-	-	-	9,830,908,718
Repayment of borrowings	(11,431,961,155)	-	-	-	(11,431,961,155)
Repayment of senior notes	-	(3,893,925,000)	-	-	(3,893,925,000)
Change in financial assets sold under repurchase agreement	-	-	111,634,600	-	111,634,600
Change in leases	-	-	-	76,031,851	76,031,851
Repayment of lease liabilities	-	-	-	(34,462,001)	(34,462,001)
Non-cash changes					
Exchange translation differences	(168,308,503)	(301,817,148)	(4,989,200)	1,750,725	(473,364,126)
Interest expenses	-	206,224,002	-	-	206,224,002
At 31 December 2019 and 1 January 2020	13,868,561,354	13,411,581,807	334,903,800	91,566,318	27,706,613,279
Financing cash flows					
Proceeds from borrowings	6,049,337,742	-	-	-	6,049,337,742
Repayment of borrowings	(10,877,402,355)	-	-	-	(10,877,402,355)
Proceeds from issuance of guaranteed notes	-	10,171,664,641	-	-	10,171,664,641
Repayment of senior notes	-	(3,875,000,000)	-	-	(3,875,000,000)
Change in financial assets sold under repurchase agreement	-	-	(334,903,800)	-	(334,903,800)
Change in leases	-	-	-	84,110,708	84,110,708
Repayment of lease liabilities	-	-	-	(60,773,990)	(60,773,990)
Non-cash changes					
Exchange translation differences	338,079,491	219,979,870	-	3,641,187	561,700,548
Interest expenses	-	52,142,452	-	4,065,057	56,207,509
At 31 December 2020	9,378,576,232	19,980,368,770	-	122,609,280	29,481,554,282

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

	Pages
Report of the directors	1 – 3
Independent auditor's report	4 – 7
Consolidated statement of comprehensive income	8 – 9
Consolidated statement of financial position	10 – 11
Consolidated statement of changes in equity	12 – 13
Consolidated statement of cash flows	14 – 15
Notes to the consolidated financial statements	16 – 121

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of ABC International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2019.

Principal activities

The principal activities of the Company are investment holding and provision of corporate management services. The principal activities of subsidiaries are set out in Note 34(b) to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 8 and 9.

The directors do not recommend the payment of a dividend.

Share issued in the year

There has been no new issue of share capital in the year ended 31 December 2019. Details of the share capital are set out in Note 31 to the consolidated financial statements.

(a) Directors of the Company

The directors during the year and up to the date of report were:

Huang Haiqin (黃海琴)
Cao Yi (曹毅)
Sun Meiyu (孫梅玉)
Xu Jiandong (徐建东)
Wang Qinshan (王青山) (Appointed on 28 August 2019)

(b) Directors of the Company's subsidiaries

The following is the list of directors of the Company's subsidiaries during the year and up to the date of this report (unless otherwise stated).

Huang Haiqin (黃海琴) (Note i)
Li Lu (李璐) (Note ii)
Luo Pei (羅培)
Chan Sung Yan (陳宋恩)
Shen Guangping (沈广平)
Ng Siu Hon Timmy (吳小翰)
Peng Ching (彭程)
Wu Yongdong (吴永东)

Bai Yungang(白云罡)
Shao Xiao (邵校)
Ma Yongqiang (马永强)
Li Jianping (李建平)
Liu Liang (劉亮)
Li Xizhao (李西朝)

Cao Yi (曹毅) (Note i)
Zhu Feng (祝峰)
Wu Liyun (吳麗芸)
Hui Xiaobing (惠小兵)
Liu Kit Yee(廖潔儀) (Note ii)
Lee Oi Lin (李愛蓮)
Lee Yat Chun (李逸俊)
Chang Michael Ming Yuen (張明遠)
Jin Wenhua (金文華)
Zhu Ming (朱明)
Jin Ping (金平)
He Qiming (何啟明)
Liu Qianqian (刘倩倩)
Tse Sing Tung Tony (謝聲桐)

Tang Wei (湯巍)
Ma Hok Ming (馬學銘)
Cheung Wai Yin (章蔚然) (Note ii)
Zhu Bing (朱冰)
Dong Wei (董煒)
Yang Raorao (楊嬈嬈)
Huang Ying (黃英)
Leung Yi Hang (梁以恒)

Zhong Chengzhi (鍾承智)
Hua Xiaofeng (华小峰)
He Hualiang (何華梁)
Peng Changhong (彭長虹)
Xu Man (徐曼)

Notes:
(i) Member of the board of the Company
(ii) No longer a director of any subsidiaries of the Company as at the date of this report

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which 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' interests, underlying shares and debentures of the Company or specified undertakings of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures, of the Company or its specified undertakings.

Management contracts

There exists an agreement (the "Agreement") for management services, in respect of which Agricultural Bank of China Limited (the "Bank", the immediate holding company of the Company) provides services to ABCI Insurance Company Limited ("ABCI Insurance", a subsidiary of the Company) under which a nominal fee is payable by the Company. The Agreement was entered into by the Bank and the Company on 22 August 2014 and under the Agreement, the Company authorises the Bank to exercise all the rights of the Company as the sole shareholder of ABCI Insurance. The Agreement can be terminated by either party giving not less than 30 days' notice of termination.

Business review

No business review is presented for the year ended 31 December 2019 as the Company has been able to claim an exemption under section 388(3)(b) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of Agricultural Bank of China Limited.

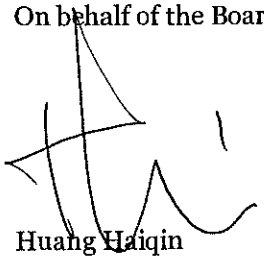
Permitted indemnity provisions

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Huang Haiqin
Director

Hong Kong, 5 June 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of ABC International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 121, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended iu 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of the Directors, 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 Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the 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.

The Audit Committee is 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. We report 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.

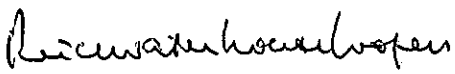
As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.
- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 the Audit Committee 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 June 2020

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$	2018 HK$
Revenue			
Revenue from brokerage, corporate finance, investment, asset management and property investment	5(a)	1,647,549,873	1,373,165,461
Interest income	5(b)	797,457,204	954,996,975
		2,445,007,077	2,328,162,436
Revenue from insurance business			
Gross insurance premiums written		244,234,113	259,349,033
Reinsurance premiums ceded		(200,593,900)	(229,288,836)
Change in net unearned premiums		503,640	(3,555,944)
Net insurance premium income		44,143,853	26,504,253
Reinsurance commission income		79,953,319	95,613,223
Insurance brokerage income		6,099,203	5,791,115
		130,196,375	127,908,591
Total revenue		2,575,203,452	2,456,071,027
Other income	6	95,069,315	131,742,318
Other gains and losses	7	943,767,274	(203,127,853)
Total operating income		3,614,040,041	2,384,685,492
Net claims incurred	8	(36,736,655)	(10,240,844)
Insurance commission expenses		(80,565,882)	(86,213,699)
Staff costs	9(a)	(333,263,008)	(343,472,104)
Impairment reversal/(charges)			
-financial assets at fair value through other comprehensive income	15	(2,093,108)	15,645,126
-financial assets at amortised cost	16	(386,709,940)	(252,513,943)
-accrued fee income	19	56,650	(719,655)
-account and trade receivables	19	12,659,282	(5,940,945)
-other receivables and deposits	20	(22,782,512)	(3,075,413)
Other operating expenses		(136,713,636)	(151,244,550)
Total operating expenses		(986,148,809)	(837,776,027)

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$	2018 HK$
Operating profit		2,627,891,232	1,546,909,465
Finance costs	10	(1,045,203,600)	(1,080,554,474)
Profit before income tax	11	1,582,687,632	466,354,991
Income tax expense	12	(208,763,660)	(201,472,403)
Profit for the year		1,373,923,972	264,882,588
Profit attributable to:			
Owners of the Company		1,363,344,129	256,412,729
Non-controlling interests		10,579,843	8,469,859
		1,373,923,972	264,882,588
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax		15,898,003	(13,303,992)
Losses on cash flow hedges		(25,047,106)	(33,067,101)
Exchange reserve movement		(77,738,840)	(147,686,331)
		(86,887,943)	(194,057,424)
Items that will not be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax		8,214,786	(20,842,823)
Other comprehensive loss for the year		(78,673,157)	(214,900,247)
Total comprehensive income for the year		1,295,250,815	49,982,341
Total comprehensive income attributable to:			
Owners of the Company		1,286,659,834	43,633,152
Non-controlling interests		8,590,981	6,349,189
		1,295,250,815	49,982,341

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 HK$	2018 HK$
Assets			
Property and equipment	13	70,701,810	69,953,646
Right of use assets	13 (b)	93,593,906	-
Investment properties	14	305,682,029	309,569,179
Deferred tax assets	12	185,098,943	133,135,567
Financial assets at fair value through other comprehensive income	15	1,728,736,326	1,441,185,558
Reinsurance assets	18	329,866,736	358,879,290
Statutory deposits		3,477,465	3,350,319
Financial assets at amortised cost	16	8,153,723,802	9,315,667,959
Amount due from certain branches of the immediate holding company	17	233,533,656	232,128,262
Financial assets at fair value through profit or loss	21	20,529,977,664	21,598,262,947
Account and trade receivables	19 (a)	2,179,077,424	3,167,145,433
Accrued fee income	19 (b)	52,079,348	51,105,210
Other receivables, deposits and prepayments	20	454,162,377	176,189,381
Prepaid tax		2,746,806	27,262,335
Financial assets held under resale agreements	22	283,998,422	16,980,142
Deposits with brokers		2,903,497	43,795
Fixed deposits	23	145,124,980	90,764,407
Bank balances and cash			
- general accounts	23	3,624,352,829	5,087,694,778
- restricted bank deposits	23	-	91,303,360
- segregated accounts	23	766,326,107	1,112,489,594
- cash in hand	23	42,108	44,165
Total assets		39,145,206,235	43,283,155,327
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	31	4,113,392,450	4,113,392,450
Retained earnings		4,707,715,165	3,377,018,164
Revaluation reserve		(92,355,444)	(115,682,099)
Exchange reserve		(343,720,307)	(243,709,357)
Merger reserve		(317,492,450)	(317,492,450)
Statutory reserve		97,272,908	64,625,780
		8,164,812,322	6,878,152,488
Non-controlling interests		70,785,266	147,844,710
Total equity		8,235,597,588	7,025,997,198

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Notes	2019 HK$	2018 HK$
Liabilities			
Trade payables	26	1,002,017,355	1,441,639,337
Other payables and accruals		909,304,421	734,034,149
Financial liabilities at fair value through profit or loss	21	364,408,753	-
Contract liabilities		16,172,039	4,946,195
Net assets attributable to the non-controlling interest of investment funds		43,401,384	35,818,152
Amounts due to a fellow subsidiary	17	55,817,300	57,064,597
Amount due to a branch of the immediate holding company	17	32,254,165	55,849,662
Financial assets sold under repurchase agreements	29	334,903,800	228,258,400
Derivatives	30	58,114,207	33,067,101
Borrowings	27	13,868,561,354	15,637,922,294
Lease liabilities	13 (b)	91,566,318	-
Unearned premiums	25	81,165,728	88,595,778
Outstanding claims	24	322,223,353	322,699,118
Provision for unexpired risk		1,267,000	828,000
Tax liabilities		232,565,372	110,926,782
Deferred tax liabilities	12	84,284,291	104,408,611
Notes issued	28	13,411,581,807	17,401,099,953
Total liabilities		30,909,608,647	36,257,158,129
Total equity and liabilities		39,145,206,235	43,283,155,327

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 8 to 121 were approved by the Board of Directors on 5 June 2020 and were signed on its behalf:

Huang Haiqin
Director

Cao Yi
Director

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to Company's owners								
	Share capital HK$	Revaluation reserve HK$	Merger reserve HK$ (note a)	Exchange reserve HK$	Statutory reserve HK$ (note b)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total HK$
Balance at 1 January 2018	4,113,392,450	(48,468,183)	(317,492,450)	(98,143,696)	53,784,687	3,131,446,528	6,834,519,336	50,086,328	6,884,605,664
Profit for the year	-	-	-	-	-	256,412,729	256,412,729	8,469,859	264,882,588
Other comprehensive income									
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax	-	(20,842,823)	-	-	-	-	(20,842,823)	-	(20,842,823)
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax	-	(13,303,992)	-	-	-	-	(13,303,992)	-	(13,303,992)
Changes in fair value of derivatives	-	(33,067,101)	-	-	-	-	(33,067,101)	-	(33,067,101)
Exchange differences on translating foreign operations	-	-	-	(145,565,661)	-	-	(145,565,661)	(2,120,670)	(147,686,331)
Total comprehensive income for the year	-	(67,213,916)	-	(145,565,661)	-	256,412,729	43,633,152	6,349,189	49,982,341
Transfer from reserve	-	-	-	-	10,841,093	(10,841,093)	-	-	-
Contribution of capital from non-controlling interests	-	-	-	-	-	-	-	91,858,363	91,858,363
Distribution of dividends	-	-	-	-	-	-	-	(449,170)	(449,170)
Balance at 31 December 2018	4,113,392,450	(115,682,099)	(317,492,450)	(243,709,357)	64,625,780	3,377,018,164	6,878,152,488	147,844,710	7,025,997,198

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to Company's owners								
	Share capital HK$	Revaluation reserve HK$ (note c)	Merger reserve HK$ (note a)	Exchange reserve HK$	Statutory reserve HK$ (note b)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total HK$
Balance at 1 January 2019	4,113,392,450	(115,682,099)	(317,492,450)	(243,709,357)	64,625,780	3,377,018,164	6,878,152,488	147,844,710	7,025,997,198
Profit for the year	-	-	-	-	-	1,363,344,129	1,363,344,129	10,579,843	1,373,923,972
Other comprehensive income									
Changes in fair value of equity investments at fair value through other comprehensive income, net of deferred tax	-	8,214,786	-	-	-	-	8,214,786	-	8,214,786
Changes in fair value of debt investments at fair value through other comprehensive income, net of deferred tax	-	15,898,003	-	-	-	-	15,898,003	-	15,898,003
Changes in fair value of derivatives	-	(25,047,106)	-	-	-	-	(25,047,106)	-	(25,047,106)
Exchange differences on translating foreign operations	-	24,260,972	-	(100,010,950)	-	-	(75,749,978)	(1,988,862)	(77,738,840)
Total comprehensive income for the year	-	23,326,655	-	(100,010,950)	-	1,363,344,129	1,286,659,834	8,590,981	1,295,250,815
Transfer from reserve	-	-	-	-	32,647,128	(32,647,128)	-	-	-
Distribution of non-controlling interests	-	-	-	-	-	-	-	(85,605,234)	(85,605,234)
Distribution of dividends	-	-	-	-	-	-	-	(45,191)	(45,191)
Balance at 31 December 2019	4,113,392,450	(92,355,444)	(317,492,450)	(343,720,307)	97,272,908	4,707,715,165	8,164,812,322	70,785,266	8,235,597,588

Notes:

(a) Merger reserve represents the difference between the nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisitions of subsidiaries pursuant to group reorganisation in 2010.

(b) Pursuant to the Company Law of the People's Republic of China ("PRC"), 10% of the net profit of the Group's subsidiaries in China, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Group's subsidiaries in China. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Group's subsidiaries articles of association or approved by the shareholders in a shareholders' general meeting.

(c) As at 31 December 2019, revaluation reserve includes cash flow hedge amounted to HK$58,114,207 (2018:HK$33,067,101) and fair value through other comprehensive income amounted to HK$34,241,237 (2018:HK$82,614,998).

The above statement of changes in equity should be read in conjunction with the accompanying notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$	2018 HK$
Cash flows from operating activities		
Profit before income tax	1,582,687,632	466,354,991
Adjustments for:		
Impairment allowance	398,869,628	246,604,830
Amortisation of financial assets at fair value through other comprehensive income	820,153	866,074
Interest income	(860,573,752)	(1,011,729,025)
Interest expenses	1,045,203,600	1,080,554,474
Depreciation of property and equipment	8,795,162	9,865,256
Depreciation of investment properties	3,887,150	3,887,150
Depreciation of right-of-use assets	30,997,145	-
Dividend income	(882,293,154)	(604,478,293)
Foreign exchange difference	(111,600,169)	(59,627,234)
Net realised gain on investments	(86,401,661)	(432,513,206)
Net unrealized (gain)/loss for investments	(551,938,427)	635,641,059
Operating cash flows before movements in working capital	578,453,307	335,426,076
Change in reinsurance assets	29,012,554	(29,007,906)
Change in statutory deposits	(127,146)	4,224,771
Change in account and trade receivables and accrued fee income	999,809,803	(1,692,081,046)
Change in other receivables, deposits and prepayments	(479,996,827)	70,445,961
Change in deposit with brokers	(2,859,702)	128,961
Change in fixed deposits with original maturity over three months	(54,360,573)	(90,764,407)
Change in bank balances - segregated accounts	346,163,487	370,882,427
Change in outstanding claims	(475,765)	13,241,092
Change in unearned premiums	(7,430,050)	26,220,735
Change in provision for unexpired risk	439,000	(339,000)
Change in trade payables	(439,621,982)	(249,294,750)
Change in other payables and accruals	(229,220,942)	333,972,190
Change in financial liabilities at fair value through profit or loss	364,408,753	
Change in contract liabilities	11,225,844	4,946,195
Change in net assets attributable to the non-controlling interest of an investment fund	7,583,232	35,818,152
Change in amount due from branches of the immediate holding company	(1,405,394)	(93,731,936)
Cash generated from/(used in) operations	1,121,597,599	(959,912,485)
Interest received from loan and financing activities	164,457,363	160,512,386
Cash paid for leased assets	(34,462,001)	-
Bank and other interest received	61,099,742	47,833,907
Interest paid	(433,020,938)	(950,436,608)
Income tax paid	(227,332,009)	(203,969,205)
Net cash inflow/(outflow) from operating activities	652,339,756	(1,905,972,005)

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$	2018 HK$
Cash flows from investing activities			
Interest income received from financial assets held under resale agreements		2,016,806	2,484,090
Change in financial assets held under resale agreements		(267,018,280)	122,030,039
Purchase of property and equipment		(9,589,037)	(2,279,121)
Purchase of financial assets at fair value through profit and loss		(8,833,765,521)	(11,984,915,645)
Proceeds from disposal of financial assets at fair value through profit and loss		10,359,870,553	7,792,290,200
Purchase of financial assets at fair value through other comprehensive income		(469,595,313)	(129,880,466)
Proceeds from disposal of financial assets at fair value through other comprehensive income		179,184,837	185,875,106
Repayment received from financial assets at amortised cost		3,708,864,624	3,922,720,643
Payment for financial assets at amortised cost		(3,044,368,348)	(2,703,388,479)
Interest received from investing, loan and financing activities		913,023,789	1,015,988,516
Dividend received		781,510,525	604,467,530
Net cash inflow/(outflow) from investing activities		3,320,134,635	(1,174,607,587)
Cash flows from financing activities			
Proceeds from issuance of guaranteed notes	37	-	9,731,019,603
Guaranteed notes issuing cost paid	37	-	(87,323,225)
Repayment of senior notes issued	37	(3,893,925,000)	-
Change in financial assets sold under repurchase agreements	37	111,634,600	(403,406,428)
Proceeds from borrowings	37	9,830,908,718	9,360,816,294
Repayment of borrowings	37	(11,431,961,155)	(12,827,108,296)
(Distribution to)/contribution from non-controlling interests		(85,605,234)	91,858,363
Distributions of dividends to non-controlling interests		(45,191)	(449,170)
Change in amounts due to a branch of the immediate holding company		(23,595,497)	27,328,956
Change in bank balances-restricted bank deposits		91,303,360	28,326,744
Net cash (outflow)/inflow from financing activities		(5,401,285,399)	5,921,062,841
Net (decrease)/increase in cash and cash equivalents		(1,428,811,008)	2,840,483,249
Cash and cash equivalents at the beginning of the year		5,087,738,943	2,326,151,919
Exchange loss on cash and cash equivalents		(34,532,998)	(78,896,225)
Cash and cash equivalents as at the end of the year		3,624,394,937	5,087,738,943
Analysis of the balances of cash and cash equivalents			
Bank balances			
- general accounts		3,624,352,829	5,087,694,778
- cash in hand		42,108	44,165
		3,624,394,937	5,087,738,943

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ABC INTERNATIONAL HOLDINGS LIMITED
農銀國際控股有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

ABC International Holdings Limited (the "Company") and its subsidiaries (together "the Group") is a private limited company incorporated in Hong Kong. Its immediate holding company is Agricultural Bank of China Limited (the "Bank"), a bank incorporated in the People's Republic of China (the "PRC") and listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, the PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorised by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

The Company is engaged in investment holding and providing corporate management services. The principal activities of the Company's subsidiaries are set out in Note 34(b).

The address of the registered office and principal place business of the Company is 16/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, which is the functional currency and presentation currency of the Company, and the presentation currency of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of ABC International Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16 Leases
Prepayment Features with Negative Compensation – Amendments to HKFRS 9
Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early.
Definition of Material – Amendments to HKAS 1 and HKAS 8.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set at below:

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 and it is likely to be extended (International Accounting Standards Board has decided to defer IFRS 17 to 1 January 2023 and it is expected that HKICPA will follow), and with comparative figures required.

HKFRS 17 Insurance Contracts

HKFRS 17 was issued in January 2018 as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the uneamed profit of the contract which is recognised as revenue over the coverage period.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

HKFRS 17 Insurance Contracts (Continued)

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income, The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin, The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of the standard upon adoption.

2.2 The impact of changes in principal accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.9.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was ranging from 3%-5%.

2 Summary of significant accounting policies (Continued)

2.2 The impact of changes in principal accounting policies (Continued)

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2 Summary of significant accounting policies (Continued)

2.2 The impact of changes in principal accounting policies (Continued)

(ii) Measurement of lease liabilities

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

	HKD
Operating lease commitments disclosed as at 31 December 2018	73,854,897
Discounted using the lessee's incremental borrowing rate of at the date of initial	71,167,047
(Less): short-term leases not recognised as a liability	(22,921,304)
Lease liability recognised as at 1 January 2019	48,245,743

(iii) Measurement of right-of-use assets

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Right-of use assets were measured at the amonnt equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.9.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by HK$48,245,743
- lease liabilities – increase by HK$48,245,743

There is no impact on retained earnings on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between gronp companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair valne is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control.

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Gronp has assessed the nature of its joint arrangements and determined them to be joint ventures.

Generally investments in associates and joint ventures are accounted for using the equity method of accounting. However, Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" permits the associate and joint ventures to be measured at fair value through profit or loss and accounted for in accordance with Hong Kong Financial Reporting Standard 9, "Financial Instruments" when the investment in the associate or joint venture is held by, or is held indirectly through, venture capital organisations, or mutual funds, unit trusts and similar entities.

Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the associate or the joint venture and the Group's share of the net fair value of the associate or the joint venture's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Under fair value measurement basis, the investment is classified as fair value through profit or loss instead of as an associate or a joint venture. Furthermore, the change in fair value is recognised in the statement of comprehensive income iu the period of change. Further details of classification and measurement of financial assets are detailed in Note 2.14.

2 Summary of significant accounting policies (Continued)

2.5 Revenue recognition

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

HKFRS 15 affects the Group in respect of revenue recognition on contracts with customers. HKFRS 15 provides guidance in relation to revenue recognition which emphasises that revenue can only be recognised upon performance obligations is satisfied. Brokerage, sponsorship fee income and other corporate financial services related fee income are recognised when the Group has satisfied its performance obligation under the relevant contract which therefore affect the timing of recognition of revenue.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recoguised 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.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Contract asset is presented as accrued fee income on the consolidated statement of financial position.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2 Summary of significant accounting policies (Continued)

2.5 Revenue recognition (Continued)

Description of the Group's performance obligation of major revenue stream under the scope of HKFRS 15 are as follows:

(1) Commission income from brokerage and dealing activities

The Group is engaged in the brokerage and dealing activities under Type 1 and Type 4 licenses. 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. The Group also provides custodian and handling services for customer accounts. Fee income is recognised when the transaction is executed and service is performed, except for custodian service fee which is recognised over time.

(2) Sponsorship fee income and other corporate financial advisory services

The Group provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should normally be accounted for as a single performance obligation subject to the agreed terms which may vary by contracts. As there is legally enforceable right to payment for the Group for the performance of services completed up to date based on the contracts with customers regarding sponsor or corporate advisory services, the revenue is recognised over time based on the stage of completion of the contract or the services transferred to customers up to date.

(3) Placing, underwriting and sub-underwriting services

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets. Revenue is recognised when the relevant placing, underwriting and sub-underwriting activities are completed. Accordingly, the revenue is recognised at a point in time.

(4) Asset management

The Group provides asset management services based on customer's investment portfolios. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage of the net asset value of the investment portfolios under management of the Group.

(5) Insurance brokerage income

Income relating to insurance broking is brought into account when the policy placement has been completed and confirmed. Revenue from providing services is recognised at a point in time in the accounting period in which the services are rendered.

2 Summary of significant accounting policies (Continued)

2.5 Revenue recognition (Continued)

Other revenue stream not under the scope of HKFRS 15 are as follows:

(1) Premiums written on direct insurance business and inward reinsurance business

Premium income and reinsurance premium income is recognised when all of the following criteria are met:

- the insurance contracts are issued;
- the related insurance risk is undertaken by the Group;
- it is probable that the related economic benefits will flow to the Group; and
- the related income can be reliably measured.

Premiums from direct insurance contracts are recognised as revenue based on the amount of total premium stated in the coutracts.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

(2) Commission income from reinsurance transactions

Commission income from reinsurance transactions is recognised on accrual basis when the related insurance contracts are accepted by the reinsurers.

(3) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(4) Rental income

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevaut lease. Initial direct costs incurred in uegotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(5) Dividend income

Dividend income from investments is recognised only when (i) the shareholders' rights to receive payment have been established, (ii) it is probable that the economic benefits will flow to the Group and (iii) the amount of revenue can be measured reliably.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency, and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses are recognised in the statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as fair value through other comprehensive income are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currencies (Continued)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property and equipment

Land and buildings comprise mainly residential buildings and offices. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2%
Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicle	20%
Computer and equipment	20% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies (Continued)

2.7 Property and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairmeut at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.8 Investment properties

Investment property, principally comprising leasehold land aud buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation. The depreciation policy of the leasehold land and buildings of investment properties is the same as that of property and equipment (Note 2.7).

At the end of the reporting period, the Group reviews the carrying amounts of its investment properties to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the property is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of a property is estimated to be less than its carrying amount, the carrying amount of the property is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the investment property 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 property in prior years. A reversal of an impairment loss is recognised as income immediately.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in the profit or loss for the year.

2 Summary of significant accounting policies (Continued)

2.9 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by ABC International Holdings Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 Summary of significant accounting policies (Continued)

2.9 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straightline basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Summary of significant accounting policies (Continued)

2.10 Employee benefits

(i) Obligations for contributions to defined contribution retirement schemes, including contribution payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit or loss as incurred.

(ii) The Group is obliged to make payment on post-employment benefits and lump sum long service amounts on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group under the Hong Kong Employment Ordinance. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Hong Kong Mandatory Provident Fund Schemes.

(iii) The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the owners of the Company after certain adjustments.

2.11 Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.12 Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

2.13 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.13 Taxation (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair valne through other comprehensive income (FVOCI); or
- Amortised cost (AC)

The classification depends on the Group's bnsiness model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Debt instruments

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previonsly recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as disclosed in note 3.1 (b). Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

  The Group's financial assets measured at amortised cost comprise, 'financial assets at amortised cost', 'account and trade receivables', 'fixed deposits', 'statutory deposits', 'amount due from certain branches of the immediate holding company', 'financial assets held under resale agreements', 'loan receivables', 'other receivables and deposits', 'deposits with brokers' and 'bank balances and cash' in the statement of financial position.

2 Summary of significant accounting policies (Continued)

2.14 Financial assets (Continued)

2.14.1 Classification (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair valne through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are subsequently carried at fair value. Financial assets measured at amortised cost are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other gains and losses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

When debt instruments classified as financial assets at fair value through other comprehensive income are sold, the accumulated fair value adjustments recognised in equity are included in the profit or loss. When equity instruments classified as financial assets at fair value through other comprehensive income are sold, the accumulated fair value adjustments recognised in equity are not subsequently reclassified to profit or loss. Interest on financial assets measured at FVOCI are calculated using the effective interest method is recognised in the profit or loss as part of revenue. Dividends on financial assets measured at FVOCI are recognised in the profit or loss as part of revenue when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and financial assets at fair value through other comprehensive income (debt instruments). The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.1(b) provides more details of how the expected credit loss allowance is measured.

2.16 Financial liabilities

Financial liabilities at amortised costs including trade payables, other payables and accruals, amounts due to a fellow subsidiary and amount due to the immediate holding company are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the profit or loss. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading or it is designated as at fair value through profit or loss.

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 Company 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 may be designated as at fair value through profit or loss 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 Company'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 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are initially recognised at fair value and subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

For financial liabilities that are designated as at fair value through profit or loss, 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.

2 Summary of significant accounting policies (Continued)

2.16 Financial liabilities (Continued)

Financial liabilities are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

2.17 Participating shares issued by investment funds consolidated by the Group

The Group classifies financial instruments issued by investment funds (the "Funds") as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

When the Group determines whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) A non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) A derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the issuer's own equity instruments do not include instruments that have all the features and meet the conditions described, or instruments that are contracts for the future receipt or delivery of the issuer's own equity instruments.

2 Summary of significant accounting policies (Continued)

2.18 Insurance contracts

Classification

The Group issues contracts that transfer insurance risk. A contract under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

Recognition and measurement

The insurance contracts issued by the Group are general insurance contracts. For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premiums liability. Premiums are shown before deduction of commission and duties levied on premiums, and gross of any taxes.

Insurance debtors are recognised when the risk is accepted and measured upon initial recognition at the fair value of the consideration. Subsequent to initial recognition, insurance debtors are measured at amortised cost, less any identified iinpairment losses. The carrying value of insurance debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The accounting policy on impairment of insurance debtors is similar to that on impairment of certain financial assets. The carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. When an insurance debt is considered uncollectible, it is writteu off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Claims losses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated on individual cases reported to the Group and management's analyses for claims incurred but not reported.

Provision of unexpired risk represents the excess of the estimated value of claims and related claims handling costs likely to arise after the end of the reporting period from contracts concluded before that date over and above the provision for unearned premiums relating to those contracts. The amount of provision is made for each class of business individually.

2 Summary of significant accounting policies (Continued)

2.18 Insurance contracts (Continued)

Liability adequacy test

At the end of the reporting period, the Group assesses its recognised insurance liabilities to determine whether they are adequate, using current estimates of future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is charged in the profit or loss immediately.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts assumed by the Group and those meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Assets, liabilities and income and expenses arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expenses of the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premiums and claims recovery are recognised on a gross basis. Reinsurance commissions recoverable are recognised as income in the consolidated income statement, when the related reinsurance contracts are accepted by the reinsurers.

Premiums ceded to reinsnrers are recognised as an expense on a basis that is consistent with the recognition basis for the gross premiums written on the related insurance contracts. Premiums ceded to reinsurers are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpired portion of premiums ceded to reinsurers is included in the reinsurance assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long-term receivables that are dependent on the expected claims and benefits arising under related reinsured insurance contracts. Amonnt recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Gronp reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets and the carrying amonnt is reduced through the nse of an allowance account similar to insurance debtors.

2 Summary of significant accounting policies (Continued)

2.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor. Financial guarantees are initially recognised as financial liabilities and reported under "other payables and accruals" in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under snch guarantees are measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determine based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.20 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 30. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 Summary of significant accounting policies (Continued)

2.20 Derivatives and hedging activities

Cash flow hedge that quantify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/losses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3 Financial risk management

3.1 Financial risk factors

The Group's major financial instruments include financial asset at fair value through other comprehensive income, financial assets at fair value through profit and loss, accrued fee income, amount due from certain branches of the immediate holding company, statutory deposits, deposits with brokers, other receivables and deposits, account and trade receivables, financial assets held under resale agreements, bank balances and cash, financial assets at amortised cost, borrowings, trade payables, other payables and accruals, financial assets sold under repurchase agreements, amounts due to a fellow subsidiary, amount due to a branch of the immediate holding company and guaranteed notes issued. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group is mainly exposed to the foreign exchange risk arising from Renminbi and Euro. The carrying amounts of the Group's assets and liabilities denominated in Renminbi and Euro arising from the Hong Kong and non-PRC operations at the end of the reporting period are as follows.

	Foreign currency	2019 HK$ equivalent	2018 HK$ equivalent
Assets (excluding PRC subsidiaries)	Renminbi	951,562,842	1,101,569,028
	Euro	4,968,903,720	4,996,772,333

	Foreign currency	2019 HK$ equivalent	2018 HK$ equivalent
Liabilities (excluding PRC subsidiaries)	Renminbi	4,379,344,267	4,432,991,130
	Euro	4,821,100,544	5,081,182,389

The Group is also exposed to the foreign exchange risk arising from its subsidiaries in PRC. The net asset value of the Group's subsidiaries in PRC as at 31 December 2019 is HK$3,375 million (2018: HK$3,226 million).

The following table details the Group's sensitivity to a 5% appreciation and depreciation of Renminbi against Hong Kong dollars. A positive number below indicates an increase in post-tax profit and other comprehensive income whereas a negative number indicates a decrease in post-tax profit and other comprehensive income.

	2019	
	Impact on post-tax profit for the year HK$	Other comprehensive income - exchange reserve HK$
Increase by 5%	(143,109,874)	140,923,509
Decrease by 5%	143,109,874	(140,923,509)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	2018	
	Impact on post-tax profit for the year HK$	Other comprehensive income - exchange reserve HK$
Increase by 5%	(139,086,873)	161,304,289
Decrease by 5%	139,086,873	(161,304,289)

The following table details the Group's sensitivity to a 5% appreciation and depreciation of Euro against Hong Kong dollars. A positive number below indicates an increase in post-tax profit whereas a negative number indicates a decrease in post-tax profit. The appreciation and depreciation of Euro against Houg Kong dollars do not have any impact on the Group's other comprehensive income.

	2019	2018
	Impact on post-tax profit for the year HK$	Impact on post-tax profit for the year HK$
Increase by 5%	6,170,783	(3,524,120)
Decrease by 5%	(6,170,783)	3,524,120

(ii) Price risk

The Group is currently holding equity securities for medium and long term investment purposes that are exposed to price fluctuation.

The Group monitors its equity investmeuts through strict procedures, starting from selection process to final exit execution. If the market for a financial asset is not active (e.g. for unlisted securities), the financial asset will be valued by independent professional qualified valuers who hold a recognised relevant professional qualification and have experience in using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis aud net asset value model, making maximum use of market inputs and relying as little as possible on entity - specific inputs.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

Listed equity investments

The Group's exposure to listed equity investments amounted to HK$3,542,414,315 (2018: HK$4,334,554,963). The table below summarises the impact of changes in the quote price by 5% (with other variable held constant) for each of the equity securities on the Group's post-tax profit for the year and on the other comprehensive income.

	2019	
	Impact on post-tax profit for the year HK$	Impact on the other comprehensive income HK$
Increase by 5%	147,895,798	-
Decrease by 5%	(147,895,798)	-

	2018	
	Impact on post-tax profit for the year HK$	Impact on the other comprehensive income HK$
Increase by 5%	180,967,670	-
Decrease by 5%	(180,967,670)	-

Unlisted investment in funds/trusts/equities

The Group's exposure to unlisted investment in funds/trusts/equities amounted to HK$13,400,803,393 (2018: HK$15,780,332,991). The fair value of unlisted investment in funds/trusts/equities depends on the valuation of the respective investments. Should the fair value of these unlisted investments increase/decrease by 5%, post-tax profit for the year and other comprehensive income for the year would have been HK$559,483,542 higher/lower and HK$55,481,967 higher/lower respectively (2018: HK$611,810,736 higher/lower and HK$56,309,181 higher/lower respectively).

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

Financial liabilities at fair value through profit or loss (Short position covered by call option)

	2019 Impact on post-tax profit for the year HK$	2018 Impact on the other comprehensive income HK$
Increase by 5%	-	-
Decrease by 5%	8,636,445	-

(iii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing assets and liabilities. The loans to margin clients, client segregated bank balances, bank balances, borrowings with floating interest rates and guaranteed notes with floating interest rates were subject to the cash flow interest rate risk.

The following table details the interest rate profile of the Group's interest bearing financial instruments at the reporting date:

	2019		2018	
	Effective interest rate %	Amount HK$	Effective interest rate %	Amount HK
Loans to margin clients	0.001%-12%	1,706,108,662	0.001%-12.125%	2,413,675,715
Bank balances	0.1%-3%	3,222,430,429	0.1%-3%	4,413,869,433
Financial assets at fair value through profit or loss	6%-13%	3,268,691,242	6%-13.813%	3,547,107,402
Financial assets at fair value through other comprehensive income	2.88%-4.5%	216,827,650	2.88%-4.75%	315,001,935
Bank and other borrowings	4.04%-5.7%	(4,565,821,650)	4.04%-5.7%	(6,934,445,682)
Notes issued	3.01%-3.65%	(3,864,937,886)	3.19%	(3,870,218,498)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

As at 31 December 2019, the Group's net assets position including loans to margin clients, client segregated bank balances, bank balances, borrowings with floating interest rates and guaranteed notes with floating interest rates were net liabilities position HK$3,502,220,444 (2018: net liabilities position HK$3,977,119,032). If market interest rates increased/decreased by 0.5% with all other variables held constant, post-tax profit would have been decreased/increased by HK$21,577,147 (2018: decreased/increased HK$25,518,320) for the year ended 31 December 2019.

The Group's position for investment in debt securities classified as financial assets at fair value through other comprehensive income amounted to HK$216,827,650 (2018: HK$315,001,935) and financial assets at fair value through profit or loss amounted to HK$3,268,691,242 (2018: HK$3,547,107,402) is subject to fair value change as a result of change in market interest risk.

Based on simulation performed and with other variables held constant, the post-tax profit will be decreased/increased by approximately HK$20,068,467 (2018: HK$27,326,890) and other comprehensive income will be decreased/increased by approximately HK$5,521,457 (2018: HK$11,311,091) should the interest rate increased/decreased by 0.5%.

The Group's investment in fixed-rate borrowings, notes issued, financial assets sold under repurchase agreements and trade payables to clients are carried at amortised cost and therefore management consider they are not subject to fair value interest rate risk.

Effects of hedge accounting on the financial position and performance

The Group's interest rate swap details as below:

	2019 HK$	2018 HK$
Interest rate swaps		
Carrying amount (Liabilities)	58,114,207	33,067,101
Notional amount	USD 500,000,000 (approximately HKD 3,893,925,000)	USD 500,000,000 (approximately HKD 3,916,457,500)
Maturity date	Ranges from September 2020 to September 2021	Ranges from September 2020 to September 2021
Fixed rate	Ranges from 3.85% to 3.95%	Ranges from 3.85% to 3.95%
Floating rate	London Interbank Offered Rate ("LIBOR")	London Interbank Offered Rate ("LIBOR")
Hedge ratio	1:1	1:1

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Effects of hedge accounting on the financial position and performance (Continued)

Sensitivity

The Group manages its interest rate risk by using interest rate swaps. Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the interest rate swaps. The table below summarises the impact of changes in interest rates by 0.5%

	2019	
	Impact on post-tax profit for the year HK$	Impact on the other components of equity HK$
Increase by 0.5%	-	(290,571)
Decrease by0.5%	-	290,571

	2018	
	Impact on post-tax profit for the year HK$	Impact on the other components of equity HK$
Increase by 0.5%	-	(165,336)
Decrease by0.5%	-	165,336

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

As at 31 December 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise the credit risk, the Risk Management Department of the Group has a delegated team to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group structures the levels of credit risk by placing limits on its exposure to a single counterparty or gronps of counterparty. Such risks are subject to an annnal or more frequent review. Limits on the level of credit risk by category are reviewed regularly by the Group's management.

The Group has concentration of credit risk as 34% (2018: 22%) of the total account and trade receivables was due from the Group's largest customer. Besides, the Group's loan receivable represents entrusted loans, investment in private bonds and secured loans as disclosed in Note 16. As at 31 December 2019, the entrusted loans, investment in private bonds and secured loans are concentrated in 17 customers (2018: 17).

The Group presented an ageing analysis of its past due but not impaired trade receivable in Note 19. The directors considered all the Group's account and trade receivables which are neither past due nor impaired have satisfactory credit quality.

The Group's financial asset at fair value through other comprehensive income (2018: fair value through other comprehensive income) and financial assets at fair value through profit or loss are deposited/custodied in respectable, large commercial banks or financial institutions. The credit risk are considered to be manageable.

Amount due from certain branches of the immediate holding company, bank balances and cash are placed in various authorized institutions and the directors of the Company consider the credit risk for such is minimal.

The Group maintains records of the payment history for significant insurance debtors and reinsurers with whom the Group conducts regular business. Moreover, the management of the Group assess regularly the creditworthiness of these counterparties by reviewing credit rating and other publicly available financial information.

Reinsurance is used to manage insurance. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurer is considered on a regular basis by reviewing their financial strength prior to finalisation of any contract.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has below financial assets that are subject to the expected credit loss model:
- Financial assets at fair value through other comprehensive income (debt instruments)
- Statutory deposits
- Financial assets at amortised cost
- Amount due from certain branches of the immediate holding company
- Account and trade receivables
- Financial assets held under resale agreements
- Fixed deposits
- Accrued fee income
- Other receivables, deposits and prepayments
- Deposits with brokers
- Bank balances and cash

However, the identified impairment loss of statutory deposits, amount due from certain branches of the immediate holding company, deposit with brokers, financial assets held under resale agreements and bank balance and cash was immaterial. The directors of the Company consider the disclosure of the credit risk exposure and the gross carrying amount of these financial assets do not provide additional value.

The Group established expected credit loss ("ECL") model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

In calculating the expected credit loss rates, forward looking macroeconomic information, such as unemployment rate or gross domestic product ("GDP"), is incorporated as part of risk parameters estimation.

Various economic scenarios are considered such that a probability-weighted average ECL can be estimated. Three scenarios are proposed, i.e. good scenario, neutral scenario and bad scenario. By considering the corresponding probabilities of the scenarios, the probability-weighted average ECL can be estimated.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering both quantitative and qualitative information. Stages are determined by significant credit deterioration criteria, including days past due, loan classification grade and rating notch downgrade since initial recognition. Usually, it should be regarded as a significant increase in credit risk if the overdue exceeds 30 days.

The Group considers a financial instrument is default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default. The default definition applied by the Group is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and qualitative indicators have been considered when appropriate. In addition, other factors which cause significant increase in credit risk are considered according to qualitative reasoning and expert judgment.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has applied a 'three-stage' impairment model for expected credit loss measurement based on changes in credit quality since initial recognition of financial assets as summarised below:

Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.

Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The following diagram summaries the impairment requirements under HKFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for accrued fee income, other receivables, deposits and repayments, account and trade receivables arising from business of corporate finance activities and financial advisory, asset management business and insurance business. Except for those which had been determined as credit impaired under HKFRS9, accrued fee income, account and trade receivables arising from business of corporate finance activities and financial advisory and from asset management business have been assessed individually, the balances are grouped based on past due analysis. The accrued fee income relate to unbilled work in progress and have substantially the same risk characteristics as the account and trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the account and trade receivables and the accrued fee income on the same basis.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2019 and 31 December 2018 and, the Group's financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
As at 1 January 2019	210,965	-	-	210,965
Transfers between stages	-	-	-	-
Originated or purchased financial assets	2,161,392	-	-	2,161,392
Remeasurement	43,924	-	-	43,924
Repayment and transfer-out	(112,205)	-	-	(112,205)
Write-off	-	-	-	-
Exchange realignment	(11,291)	-	-	(11,291)
As at 31 December 2019	2,292,785	-	-	2,292,785
As at 1 January 2018	15,897,469	-	-	15,897,469
Transfers between stages	-	-	-	-
Originated or purchased financial assets	25,783	-	-	25,783
Remeasurement (Note)	23,152	-	-	23,152
Repayment and transfer-out	(15,694,061)	-	-	(15,694,061)
Write-off	-	-	-	-
Exchange realignment	(41,378)	-	-	(41,378)
As at 31 December 2018	210,965	-	-	210,965
Financial assets at amortised cost				
As at 1 January 2019	28,461,101	865,232	399,070,848	428,397,181
Transfers between stages:				
Stage 1 to stage 2	(1,853,160)	1,853,160	-	-
Stage 1 to stage 3	(2,470,880)	-	2,470,880	-
Originated or purchased financial assets	11,884,387	-	-	11,884,387
Remeasurement	(286,853)	27,272,425	359,724,368	386,709,940
Repayment and transfer-out	(15,426,748)	(865,232)	-	(16,291,980)
Write-off	-	-	-	-
Exchange realignment	1,434,145	(516,239)	(9,089,746)	(8,171,840)
As at 31 December 2019	21,741,992	28,609,346	752,176,350	802,527,688
As at 1 January 2018	19,203,620	23,926,020	142,280,148	185,409,788
Transfers between stages:				
Stage 1 to stage 2	(897,517)	897,517	-	-
Stage 1 to stage 3	(202,009)	-	202,009	-
Originated or purchased financial assets	19,370,395	-	-	19,370,395
Remeasurement	12,906,486	(32,286)	256,588,691	269,462,891
Repayment and transfer-out	(12,393,324)	(23,926,019)	-	(36,319,344)
Write-off	-	-	-	-
Exchange realignment	(9,526,550)	-	-	(9,526,550)
As at 31 December 2018	28,461,101	865,232	399,070,848	428,397,181

Note:
Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of financial assets between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

	Stage of assets				
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Lifetime ECL (simplified approach) HK$	Total HK$
Account and trade receivables					
As at 1 January 2019	11,379,795	-	149,904,316	3,687,323	164,971,434
Transfers between stages	-	-	-	-	-
Increases/(decrease)	(10,635,530)	-	-	(2,023,752)	(12,659,282)
Write-off	-	-	(85,581,023)	-	(85,581,023)
Exchange realignment	-	-	135,056	(68,424)	66,632
As at 31 December 2019	744,265	-	64,458,349	1,595,147	66,797,761
As at 1 January 2018*	5,799,723	-	141,430,916	11,807,886	159,038,525
Transfers between stages					
Stage 1 to stage 3	(8,473,400)	-	8,473,400	-	-
Increases/(decrease)	14,053,472	-	-	(8,112,527)	5,940,945
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	(8,036)	(8,036)
As at 31 December 2018*	11,379,795		149,904,316	3,687,323	164,971,434
Accrued fee income					
As at 1 January 2019	-	-	-	1,128,678	1,128,678
Transfers between stages	-	-	-	-	-
Increases/(decrease)	-	-	-	(56,650)	(56,650)
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 December 2019	-	-	-	1,072,028	1,072,028
As at 1 January 2018*	-	-	-	409,023	409,023
Transfers between stages	-	-	-	-	-
Increases/(decrease)	-	-	-	719,655	719,655
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 Decemher 2018*	-	-	-	1,128,678	1,128,678
Other receivables, deposits and repayments					
As at 1 January 2019	3,081,995	33,768	390,844	404,684	3,911,291
Transfers between stages					
Stage 1 to 2	(8,185)	8,185	-	-	-
Stage 1 to 3	(999,918)	-	999,918	-	-
Increases/(decrease)	(2,446,933)	12,754,016	11,747,978	727,451	22,782,512
Write-off	-	-	-	-	-
Exchange realignment	385,025	915,362	(123,087)	69,370	1,246,670
As at 31 December 2019	11,984	13,711,331	13,015,653	1,201,505	27,940,473
As at 1 January 2018*	542,000	-	-	97,569	639,569
Transfers between stages					
Stage 1 to stage 2	(33,768)	33,768	-	-	-
Increases/(decrease)	2,397,765	-	390,844	286,804	3,075,413
Write-off	-	-	-	-	-
Exchange realignment	175,998	-	-	20,311	196,309
As at 31 December 2018*	3,081,995	33,768	390,844	404,684	3,911,291

*The Group has separately disclosed the movement of these financial assets using simplified approach. The comparative figures have been represented accordingly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Analysis of the gross carrying amonnt of financial instruments for which an ECL allowance is recognised is as follows according to the stage of ECL:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)				
Gross carrying amount as at 1 January 2019	315,001,935	-	-	315,001,935
Transfers between stages	-	-	-	-
Originated or purchased financial assets	469,595,313	-	-	469,595,313
Repayment and transfer-out	(179,184,837)	-	-	(179,184,837)
Write-off	-	-	-	-
Exchange realignment	13,684,567	-	-	13,684,567
As at 31 December 2019	619,096,978	-	-	619,096,978
Gross carrying amonnt as at 1 Jauuary 2018	483,759,445	-	-	483,759,445
Trausfers between stages	-	-	-	-
Originated or purchased financial assets	38,577,106	-	-	38,577,106
Repayment and transfer-out	(199,674,077)	-	-	(199,674,077)
Write-off	-	-	-	-
Exchange realignment	(7,660,539)	-	-	(7,660,539)
As at 31 December 2018	315,001,935	-	-	315,001,935
Financial assets at amortised cost				
Gross carrying amount as at 1 January 2019	8,882,736,383	391,645,750	469,683,007	9,744,065,140
Transfers between stages				
Stage 1 to stage 2	(342,387,600)	342,387,600	-	-
Stage 1 to stage 3	(456,516,800)	-	456,516,800	-
Originated or purchased financial assets	3,042,366,584	-	-	3,042,366,584
Repayment and transfer-out	(3,321,407,983)	(391,645,750)	-	(3,713,053,733)
Write-off	-	-	-	-
Exchange realignment	(92,504,799)	(7,483,800)	(17,137,902)	(117,126,501)
As at 31 December 2019	7,712,285,785	334,903,800	909,061,905	8,956,251,490
Gross carrying amount as at 1 January 2018	10,938,461,314	155,519,135	142,132,203	11,236,112,652
Transfers between stages				
Stage 1 to stage 2	(390,843,500)	390,843,500	-	-
Stage 1 to stage 3	(358,890,311)	-	358,890,311	-
Originated or purchased financial assets	2,703,388,479	802,250	-	2,704,190,729
Repayment and transfer-out	(3,767,133,861)	(155,519,135)	-	(3,922,652,996)
Write-off	-	-	-	-
Exchange realignment	(242,245,738)	-	(31,339,507)	(273,585,245)
As at 31 December 2018	8,882,736,383	391,645,750	469,683,007	9,744,065,140

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

	Stage of assets				
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Lifetime ECL (simplified approach) HK$	Total HK$
Account and trade receivables					
Gross carrying amount as at 1 January 2019	3,073,679,178	-	149,904,316	108,533,373	3,332,116,867
Transfers between stages	-	-	-	-	-
Increases /(decreases)	(987,098,120)	-	-	(14,058,250)	(1,001,156,370)
Write-off	-	-	(85,581,023)	-	(85,581,023)
Exchange realignment	-	-	135,055	360,656	495,711
As at 31 December 2019	2,086,581,058	-	64,458,348	94,835,779	2,245,875,185
Gross carrying amount as at 1 January 2018*	1,472,882,930	-	141,430,916	59,290,507	1,673,604,353
Transfers between stages Stage 1 to stage 3	(8,473,400)	-	8,473,400	-	-
Increases /(decreases)	1,609,269,648	-	-	49,242,866	1,658,512,514
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 December 2018*	3,073,679,178	-	149,904,316	108,533,373	3,332,116,867
Accrued fee income					
Gross carrying amount as at 1 January 2019	-	-	-	52,233,888	52,233,888
Transfers between stages	-	-	-	-	-
Increases /(decreases)	-	-	-	917,488	917,488
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 December 2019	-	-	-	53,151,376	53,151,376
Gross carrying amount as at 1 January 2018*	-	-	-	18,773,392	18,773,392
Transfers between stages	-	-	-	-	-
Increases /(decreases)	-	-	-	33,460,496	33,460,496
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 December 2018*	-	-	-	52,233,888	52,233,888
Other receivables, deposits and repayments					
Gross carrying amount as at 1 January 2019	123,020,023	15,729,447	390,844	40,960,358	180,100,672
Transfers between stages Stage 1 to stage 2	(1,166,968)	1,166,968	-	-	-
Stage 1 to stage 3	(12,747,896)	-	12,747,896	-	-
Increases /(decreases)	49,334,014	(2,941,663)	-	256,943,328	303,335,679
Write-off	-	-	-	-	-
Exchange realignment	(200,000)	(243,421)	(123,087)	(766,993)	(1,333,501)
As at 31 December 2019	158,239,173	13,711,331	13,015,653	297,136,693	482,102,850
Gross carrying amount as at 1 January 2018*	117,589,533	-	-	32,663,205	150,252,738
Transfers between stages Stage 1 to stage 2	(15,729,447)	15,729,447	-	-	-
Increases /(decreases)	21,159,937	-	390,844	8,297,153	29,847,934
Write-off	-	-	-	-	-
Exchange realignment	-	-	-	-	-
As at 31 December 2018*	123,020,023	15,729,447	390,844	40,960,358	180,100,672

*The Group has separately disclosed the movement of these financial assets using simplified approach. The comparative figures have been represented accordingly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximnm exposure to credit risk on these assets.

	2019 Stage of assets				2018
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$	Total HK$
Financial assets at fair value through other comprehensive income (Debt instruments)					
Credit quality grade					
Investment grade	110,236,939	-	-	110,236,939	263,929,915
Non-investment grade	508,860,039	-	-	508,860,039	51,072,020
Credit impaired	-	-	-	-	-
Gross carrying amount	619,096,978	-	-	619,096,978	315,001,935
Loss allowance	(2,292,785)	-	-	(2,292,785)	(210,965)
Net carrying amonnt	616,804,193	-	-	616,804,193	314,790,970

	2019 Stage of assets				2018
	Stage 1	Stage 2	Stage 3		
	12-month ECL HK$	Lifetime ECL HK$	Lifetime ECL (credit impaired) HK$	Total HK$	Total HK$
Financial assets at amortised cost					
Credit grade					
Investment grade	3,489,919,200	-	-	3,489,919,200	4,915,675,348
Non-investment grade	4,222,366,585	334,903,800	-	4,557,270,385	4,358,706,785
Credit impaired	-	-	909,061,905	909,061,905	469,683,007
Gross carrying amount	7,712,285,785	334,903,800	909,061,905	8,956,251,490	9,744,065,140
Loss allowance	(24,741,992)	(28,609,346)	(749,176,350)	(802,527,688)	(428,397,181)
Net carrying amount	7,687,543,793	306,294,454	159,885,555	8,153,723,802	9,315,667,959

The gross carrying amount of account and trade receivables, accrued income and other receivables, deposits and prepayments represents the maximum exposure to credit risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group adopts the following risk ratings to determine the credit quality grade for financial assets:

Internal rating	PD Range	Risk ratings with reference to external ratings (S&P/Moody's)	Credit quality grade
SAAA to SAAA-	0% to 0.53%	BBB-/Baa3 or above	Investment grade
SAA+ to C	0.88% to 13.78%	BB+/Ba1 or below	Non-investment grade
D	100%	Credit impairment indication or defaulted	Credit impaired
Non-rated	External rating is used as substitution.		

Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment.

	Maximum exposure to credit risk	
	2019	2018
	HK$	HK$
Financial assets at fair value through profit or loss	20,529,977,664	21,598,262,947

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group manages its liquidity risk through:

- Optimizing asset and liability structure;
- Reviewing major funding position regularly;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining an efficient internal funds transfer mechanism within the Group.

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2019

	On demand HK$	Less than 1 year HK$	1 to 5 years HK$	Total HK$
Financial liabilities				
Trade payables	975,035,712	26,981,643	-	1,002,017,355
Other payables and accruals	-	729,346,461	-	729,346,461
Financial liabilities at fair value through profit or loss		364,408,753	-	364,408,753
Net assets attributable to the non-controlling interest of an investment fund	-	43,401,384	-	43,401,384
Amounts due to fellow subsidiary	-	-	55,817,300	55,817,300
Amounts due to a branch of the immediate holding company	713,372	-	-	713,372
Financial assets sold under repurchase agreemeuts	-	344,560,193	-	344,560,193
Borrowings	-	10,833,016,686	3,403,211,946	14,236,228,632
Notes issued	-	4,374,150,895	9,870,908,273	14,245,059,168
Derivatives settled gross				
-inflow	-	99,763,098	35,210,505	134,973,603
-outflow	-	(128,596,873)	(45,850,967)	(174,447,840)
	-	(28,833,775)	(10,640,462)	(39,474,237)

As at 31 December 2018

	On demand HK$	Less than 1 year HK$	1 to 5 years HK$	Total HK$
Financial liabilities				
Trade payables	1,213,436,754	228,202,583	-	1,441,639,337
Other payables and accruals	-	587,575,451	-	587,575,451
Net assets attributable to the non-controlling interest of an investment fund	35,818,152	-	-	35,818,152
Amounts due to fellow subsidiary	-	-	57,067,650	57,067,650
Amounts due to a branch of the immediate holding company	2,191,141	-	-	2,191,141
Financial assets sold under repurchase agreements	-	10,842,274	3,653,698	14,495,972
Borrowings	-	11,589,461,920	4,653,729,594	16,243,191,514
Notes issued	-	4,477,563,438	14,336,785,676	18,814,349,114
Derivatives settled gross				
-inflow	-	133,989,196	154,087,575	288,076,771
-outflow	-	(151,958,260)	(175,456,960)	(327,415,220)
	-	(17,969,064)	(21,369,385)	(39,338,449)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the vary nature of an insurance contract, this risk is random and therefore unpredictable.

The Group uses assumptions based on a mixture of internal and market data to measure its claims loss. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out in prior years. The Group has reviewed the individual contract and in particular the industries in which the insured companies operate and the actual years of claims.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which include amounts due to fellow subsidiaries, capital and reserves, which include issued share capital and reserves. The Group's overall strategy remains unchanged throughout the year.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the amounts due to fellow subsidiaries, payment of dividends and issuance of share capital.

3 Financial risk management (Continued)

3.2 Capital management (Continued)

Three subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission ("SFC") to conduct respective regulated activities in Hong Kong. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, the Regulated Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by FRR) in excess of required liquid capital.

A subsidiary of the Group is a licensed insurer and is regulated by the Insurance Authority ("IA") and is required to comply with certain solvency requirements according to the rules of Insurance Ordinance. Management of licensed insurer subsidiary monitors the subsidiary's solvency position to ensure it meets the requirements in accordance with the Hong Kong Insurance Ordinance. The subsidiary has no non-compliance of the solvency requirements imposed by the Hong Kong Insurance Ordinance during the year.

In addition, a subsidiary of the Group is an insurance intermediary and is a member of the Professional Insurance Brokers Association Limited. It was required to maintain a minimum paid-up capital of HK$500,000 at all times before 23 September 2019. With effect from 23 September 2019, the IA is the sole regulator to license and supervise all insurance intermediaries in Hong Kong. It is required to maintain a minimum paid-up capital of HK$500,000 at all times after 23 September 2019.

Management of the respective subsidiaries monitor the liquid capital, solvency position and capital requirement of these subsidiaries to ensure they meet the requirements.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2019, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position

	31 December 2019			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	-	-	1,109,639,348	1,109,639,348
Debt securities listed in Hong Kong	-	619,096,978	-	619,096,978
	-	619,096,978	1,109,639,348	1,728,736,326
Financial assets at fair value through profit or loss				
Unlisted equity securities	-	-	5,058,451,351	5,058,451,351
Listed equity securities	2,133,939,519	-	-	2,133,939,519
Listed iuvestment in preference shares	-	1,408,474,795	-	1,408,474,795
Restricted listed securities (note)	-	-	154,609,902	154,609,902
Listed securities with options	-	-	418,294,408	418,294,408
Investment in funds managed by the Group (via subsidiaries)	-	-	402,796,695	402,796,695
Investment in funds managed by external party	2,271,046,814	-	3,408,007,024	5,679,053,838
Investment in trust	-	-	1,687,597,199	1,687,597,199
Convertible bonds, preference shares, and senior notes with warrants	-	-	3,352,785,413	3,352,785,413
Loan with derivatives	-	-	233,974,544	233,974,544
	4,404,986,333	1,408,474,795	14,716,516,536	20,529,977,664
Financial liabilities at fair value through profit or loss				
Listed equity securities	(364,408,753)	-	-	(364,408,753)
Derivatives				
Hedging derivatives – Interest rate swaps	-	(58,114,207)	-	(58,114,207)
Total	4,040,577,580	1,969,457,566	15,826,155,884	21,836,191,030

Note: There are locked up periods for the above investment in securities.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	-	-	1,126,183,623	1,126,183,623
Debt securities listed in Hong Kong	-	315,001,935	-	315,001,935
	-	315,001,935	1,126,183,623	1,441,185,558
Financial assets at fair value through profit or loss				
Unlisted equity securities	-	-	4,445,308,287	4,445,308,287
Listed equity securities	2,119,187,012	-	-	2,119,187,012
Listed investment in preference shares	-	2,215,367,951	-	2,215,367,951
Restricted listed securities with options	-	-	557,770,140	557,770,140
Listed securities with options	-	-	396,972,690	396,972,690
Investment in funds managed by the Group (via subsidiaries)	-	-	537,276,218	537,276,218
Investment in funds managed by external party	2,641,991,398	-	3,443,646,967	6,085,638,365
Investment in fund management scheme managed by external party	-	-	225,364,832	225,364,832
Investment in trust	237,616,994	-	2,168,201,842	2,405,818,836
Convertible bonds, preference shares, and senior notes with warrants	-	-	2,376,595,749	2,376,595,749
Loan with derivatives	-	-	232,962,867	232,962,867
	4,998,795,404	2,215,367,951	14,384,099,592	21,598,262,947
Derivatives				
Hedging derivatives – Interest rate swaps	-	(33,067,101)	-	(33,067,101)
Total	4,998,795,404	2,497,302,785	15,510,283,215	23,006,381,404

There were no transfers between levels 1, 2 and 3 during the year.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

Reconciliation of level 3 fair value measurements of financial assets of the Group:

	31 December 2019		
	Financial assets at fair value through other comprehensive income HK$	Financial assets at fair value through profit or loss HK$	Total HK$
Opening balance	1,126,183,623	14,384,099,592	15,510,283,215
Acquisition	-	4,595,742,454	4,595,742,454
Disposal	-	(4,431,643,137)	(4,431,643,137)
Gain recognised in the profit or loss	-	381,794,788	381,794,788
Gain recognised in other comprehensive income	8,214,786	-	8,214,786
Exchange differences	(24,759,061)	(213,477,161)	(238,236,222)
Closing balance	1,109,639,348	14,716,516,536	15,826,155,884
Changes in unrealised gains or losses for the year included in the profit or loss at the end of the year	-	326,152,500	326,152,500

	31 December 2018		
	Financial assets at fair value through other comprehensive income HK$	Financial assets at fair value through profit or loss HK$	Total HK$
Opening balance	1,859,095,477	10,104,670,038	11,963,765,515
Change in accounting policy	(752,682,704)	1,320,502,838	567,820,134
Opening balance (adjusted)	1,106,412,773	11,425,172,876	12,531,585,649
Acquisition	91,303,360	7,580,294,948	7,671,598,308
Disposal	(582,059)	(4,723,946,698)	(4,724,528,757)
Gain recognised in the profit or loss	-	323,607,751	323,607,751
Gain recognised in other comprehensive income	(20,835,266)	-	(20,835,266)
Exchange differences	(50,115,185)	(221,029,285)	(271,144,470)
Closing balance	1,126,183,623	14,384,099,592	15,510,283,215
Changes in unrealised gains or losses for the year included in the profit or loss at the end of the year	-	297,759,221	297,759,221

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The unlisted equity investments, funds, loans with derivatives, senior notes with warrants and derivatives were valued by independent professional qualified valuers who hold a recognised relevant professional qualification and have experience in using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and net asset value model, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The major valuation techuique for investment in funds is share of net asset value.

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019:

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	970,201,856	Actuarial valuation	Risk discount rate	12%
			Investment yield	5.1%
	139,437,492	Share of net assets value		
Sub-total	1,109,639,348			
Financial assets at fair value through profit or loss				
Listed securities with options	106,798,852	Binomial option model	Discount rate	235.66%
			Volatility	25.87%
	193,432,115	Binomial option model Black-Scholes model	Discount rate	239.57%
			Volatility	31.22%
	118,063,441	Binomial option model	Volatility	47.9%
			Discount rate	6.77%
Sub-total	418,294,408			
Unlisted equity securities	147,790,814	Discounted cash flow model	Marketability discount	3.34%
	450,957,839	Market approach	Marketability discount	15.69%
			Discount on lack of control	12.93%
	80,321,424	Referenced transaction		
	84,186,659	Market approach	Change in forward P/S multiples	21.64%
	67,310,000	Market approach	P/E multiples	14.07
	39,261,877	Market approach	EV/Sales multiplies	1.66

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	40,579,558	Market approach	Volatility	50.21%
	4,210,517	Share of net assets value	Discount on lack of control	17.76%
	82,317,575	Market approach	P/E multiplies	13.19
	40,675,941	Binomial option model	Volatility	47.43%
	45,535,364	Dividend model	Dividend growth rate Sustainable growth rate Marketability discount	8.25% 3.76% 16.15%
	233,708,151	Black-Scholes model	Marketability discount	8.84%
	55,742,505	Discounted cash flow model	Discount rate	9.92%
	570,155,858	Discounted cash flow model	Discount rate	8.44%
	917,382,577	Market approach	Marketability discount	21.72%
	106,979,438	Discounted cash flow model	Discount rate	9.97%
	336,628,555	Discounted cash flow model	Discount rate	13.91%
	340,305,798	Discounted cash flow model	Discount rate	13.97%
	112,480,790	Discounted cash flow model	Discount rate	11.99%
	55,815,068	Binomial option model	Volatility	37.31%
	100,343,876	Binomial option model	Discount rate	11.98%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inpnts used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	561,653,767	Discounted cash flow model	Discount rate	8.85%
	81,460,911	Market approach	Discouut rate	10.3%
	173,605,787	Market approach	Discount rate	11.37%
	70,090,650	Market approach	Forward P/S multiples Marketability discount	5.8 19.95%
	258,950,052	Share of net assets value		
Sub-total	5,058,451,351			
Investment in funds managed by the group	187,837	Market approach	P/E multiples Marketability discount	73.8 24.27%
	11,163,460	Discounted cash flow model	Discount rate	4.75%
	391,445,398	Share of net assets value		
Sub-total	402,796,695			
Restricted listed securities with options	53,706,032	Binomial option model	Volatility	44.23%
	100,903,870	Market approach	Marketability discount	14.43%
Sub-total	154,609,902			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in funds managed by external parties	164,102,862	Market approach	Marketability discount	15%-23%
	1,160,179,378	Binomial option model	Discount rate	7.66%
	302,869,487	Market approach	Marketability discount	22.09%
	110,184,729	Market approach	EV/Sales multiples	2.34
	230,208,846	Market approach	P/E multiples	46
	235,205,000	Market approach	Marketability discount	21.15%
	176,144,249	Market approach	Volatility	30.63%
	42,614,656	Binomial option model	Volatility	32%
	33,246,861	Binomial option model	Volatility	45.12%
	45,728,129	Binomial option model	Marketability discount	18.8%
	280,874,886	Discounted cash flow model	Discount rate	10.42%
	626,647,941	Share of net assets value		
Sub-total	3,408,007,024			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant nnobservable inpnts used for Level 3 investments as at 31 December 2019: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in trusts	265,153,959	Binomial option model	Discount rate	7%
	1,422,443,240	Share of net assets value		
Sub-total	1,687,597,199			
Convertible bonds, preference shares, and senior notes with warrants	548,645,380	Binomial option model Black Scholes model	Discount rate Volatility	9.09% 37.13%
	780,720,974	Binomial option model	Discount rate	11.65%
	91,049,041	Binomial option model	Discount rate	5.61%
	4,150,000	Liquidation approach	Discount rate	23.23%
	391,164,534	Discounted cash flow model	Discount rate	11.27%
	389,961,013	Discounted cash flow model	Discount rate	12.3%
	387,980,976	Discounted cash flow model	Discount rate	11.77
	287,060,151	Market approach	P/E multiplies Marketability discount	23.79 17.44%
	399,651,715	Market approach	EV/Sales multiples	1.41
	72,401,629	Market approach	P/E multiplies	41.22
Sub-total	3,352,785,413			
Loan with derivatives	233,974,544	Discounted cash flow model	Discount rate	7.21%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2018:

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	976,384,595	Actuarial valuation	Risk discount rate	12%
			Investment yield	5.1%
	149,799,028	Share of net assets value	-	-
Sub-total	1,126,183,623			
Financial assets at fair value through profit or loss				
Listed securities with options	194,600,599	Monte Carlo Simulation	Discount rate	11.81%
			Volatility	42.68%
	202,372,091	Binomial option model	Discount rate	7.7%
			Volatility	31.47%
Sub-total	396,972,690			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2018: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Unlisted equity securities	132,168,322	Discounted cash flow model	Discount rate	8.76%
	131,054,334	Discounted cash flow model	Discount rate	13.01%
	572,205,005	Discounted cash flow model	Discount rate	8.73%
	454,866,953	Market approach	Marketability discount	20.29%
			P/B multiples	1.01
	68,357,849	Market approach	Marketability discount	25%
			EV/EBITDA multiples	19.02
	108,407,544	Market approach	Change in forward P/S multiples	23.14%
	49,407,138	Market approach	P/E multiples	12.57
		Binomial option model	Discouut rate	15.82%
	36,601,269	Market approach	EV/EBIT multiples	14.99
			Discount rate	2.93%
	78,459,787	Market approach	P/S multiples	5.76
			Marketability discount	16.73%
		Binomial option model	Volatility	46.1%
	143,272,608	Market approach	P/S multiples	1.32
			Marketability discount	25.67%
	67,759,647	Share of Net assets value	Marketability discount	7.2%
	56,001,490	Dividend model	Dividend growth rate	-23%
			Sustainable growth rate	2.5%
			Marketability discount	27.1%

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2018: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
	57,211,361	Discounted cash flow model	Discount rate	9.6%
	108,740,335	Discounted cash flow model	Discount rate	9.6%
	61,619,734	Discounted cash flow model	Discount rate	2.61% to 2.63%
	343,719,068	Discounted cash flow model	Discount rate	13.5%
	115,038,495	Binomial option model	Discount rate	9.91%
	106,962,475	Binomial option model	P/E multiples Discount rate	19.41 12.05%
	1,101,115,250	Share of net assets value		
	652,339,623	Recent transaction		
Sub-total	4,445,308,287			
Investment in funds managed by the group	1,065,585	Market approach	P/E multiples Marketability discount	40.87 21.37%
	22,825,840	Discounted cash flow model	Discount rate	4.75%
	513,384,793	Share of net assets value		
Sub-total	537,276,218			
Restricted listed securities with options	311,965,314	Black-Scholes model Binomial option model	Marketability discount Discount rate	10.45% 12.01%
	245,804,826	Binomial option model	Discount rate	7.71% to 8.46%
Sub-total	557,770,140			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2018: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in funds managed by external parties	184,066,138	Market approach	Marketability discount	18.6%
	290,867,466	Market approach	Referenced transaction	N/A
	114,216,872	Market approach	EV/Sales multiples	2.37
		Discounted cash flow model	Marketability discount	12.9%
			Discount rate	12.56%
	221,044,861	Market approach	Change in P/E multiples	-5.7%
	192,106,000	Binomial option model	Discount rate	1.85%
		Black-Scholes model	Volatility	42.18%
	1,170,511,653	Binomial option model	Discount rate	10.11%
	48,607,626	Binomial option model	Discount rate	2.62%
			Volatility	49.37%
	196,359,000	Discounted cash flow model	Discount rate	19.64%
	743,318,459	Share of net assets value		
	282,548,892	Recent transaction		
Sub-total	3,443,646,967			

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table summarises quantitative information about the valuation techniques and the significant unobservable inputs used for Level 3 investments as at 31 December 2018: (Continued)

Investments	Fair value HK$	Valuation technique(s)	Unobservable inputs	Values of unobservable inputs
Financial assets at fair value through profit or loss (Continued)				
Investment in trusts	438,559,949	Binomial option model	Discount rate	9.69%
	1,729,641,893	Share of net assets value		
Sub-total	2,168,201,842			
Investment in fund management scheme managed by external party	225,364,832	Binomial option model	Discount rate Credit loss rate	1.75% 6.28%
Convertible bonds, preference shares, and senior notes with warrants	544,896,732	Binomial option model Black Scholes model	Discount rate Volatility	11.87% 37.15%
	19,669,628	Liquidation approach	Discount rate	16.34%
	257,525,668	Discounted cash flow model	Discount rate	19.26%
	391,375,550	Discounted cash flow model	Discount rate	10.62%
	379,836,671	Discounted cash flow model	Discount rate	12.31%
	783,291,500	Recent transactions	-	-
Sub-total	2,376,595,749			
Loan with derivatives	232,962,867	Recent transactions	-	-

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The fair values of the Group's financial instrument in Level 3 fair value hierarchy are positively correlated to dividend growth rates, long term revenue growth rates, valuation multiples, sustainable growth rates, PE multiples, recovery rates and expected volatility.

The fair values of the Group's financial instrument in Level 3 fair value hierarchy are negatively correlated to marketability discount, minority discount, resalable discount, weighted average cost of capital, discount rates.

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values. Management has assessed that financial assets at amortised cost, amount due from related company, account and trade receivables, accrued fee income, other receivables, deposits and prepayments, financial assets held under resale agreements, cash and cash equivalents, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, amounts due to related parties and issued bonds approximate their carrying amounts.

3.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Offsetting financial assets and financial liabilities

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31 December 2019					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial assets	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK$	Net amount of financial assets presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	107,087,364	(107,087,364)	-	-	-	-

3 Financial risk management (Continued)

3.4 Offsetting financial instruments (Continued)

Offsetting financial assets and financial liabilities (Continued)

	As at 31 December 2019					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial liabilities	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the consolidated statement of financial position HK$	Net amount of financial liabilities presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	(235,770,492)	107,087,364	(128,683,128)	-	-	(128,683,128)

	As at 31 December 2018					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial assets	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK$	Net amount of financial assets presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	49,871,065	(49,871,065)	-	-	-	-

3 Financial risk management (Continued)

3.4 Offsetting financial instruments (Continued)

Offsetting financial assets and financial liabilities (Continued)

	As at 31 December 2018					
	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset		
Type of financial liabilities	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the consolidated statement of financial position HK$	Net amount of financial liabilities presented in the consolidated statement of financial position HK$	Financial instruments other than cash collateral HK$	Cash collateral received HK$	Net amount HK$
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	(66,861,097)	49,871,065	(16,990,032)	-	-	(16,990,032)

The tables below reconcile the amounts of accounts receivable and accounts payable as presented in the consolidated statement of financial position:

	2019 HK$	2018 HK$
Accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	-	-
Accounts receivable not in the scope of offsetting disclosure	2,179,077,424	3,172,446,064
Trade receivable as disclosed in the consolidated statement of financial position (Note 19)	2,179,077,424	3,172,446,064
Accounts payable to Hong Kong Securities Clearing Company Limited ("HKSCC")	128,683,128	16,990,032
Accounts payable not in the scope of offsetting disclosure	873,334,227	1,424,649,305
Trade payable as disclosed in the consolidated statement of financial position (Note 26)	1,002,017,355	1,441,639,337

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, 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 ongoing 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.

(a) Classification of investments as financial assets at fair value through profit or loss

In deciding classification and measurement of unlisted equity investment where the Group has significant influence over the investee, significant judgment is required in determining whether the Group has any venture capital organisation under HKAS 28 "Investment in Associates and Joint Venture". HKAS 28 allows the Group elects to measure its investment at fair value instead of accounting under equity method if the Group has a venture capital organisation. Management consider that certain operations of the Group meets the definition of venture capital organisations as one of the Group's business activities is investing in unlisted investments and the Group aims to hold these investments for medium-term capital growth and would seek to exit upon expiration of the investment period. Consequently, the Group elects to classify certain unlisted equity investments as financial assets at fair value through profit or loss and measured the investments on a fair value basis in accordance with HKFRS 9 "Financial Instrument". As at 31 December 2019, the investments classified and measured under this approach amounted to HK$1,375,487,018 (2018: HK$1,387,731,906).

(b) Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

As described in Note 3, the management use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of those financial instruments not quoted in an active market are determined in accordance with generally accepted pricing models, which includes some assumptions not supported by observable market prices or rates. The carrying amounts of those financial instruments (Level 3) classified as fair value through other comprehensive income and fair value through profit or loss as at 31 December 2019 is HK$1,109,639,348 (2018: HK$1,126,183,623) (refer to Note 3.3) and HK$14,484,093,307 (2018: HK$14,384,099,592) (refer to Note 3.3) respectively. The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. In particular, it is based on economic, market and other conditions as they exist on 31 December 2019. Subsequent to 31 December 2019, management noted the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 that is considered a subsequent event. Refer to Note 38 for full details. Management believes that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments as at 31 December 2019.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(c) Expected credit loss ('ECL') provision on the financial assets measured at amortised cost and fair value through other comprehensive income (debt instruments)

The measurement of ECL under HKFRS 9 across all categories of financial assets to which ECL measurements requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These judgements and estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

More details on the impairment allowances of the financial assets are disclosed in Notes 15, 16, 19 and 20 respectively.

(d) Estimated impairment of reinsurance assets

The policy for impairment of reinsurance assets of the Group is based on the evaluation of collectability and aging analysis of reinsurance assets and management's judgment. A considerable amount of judgement is required in assessing the ultimate recoverability of the reinsurance assets, including the current creditworthiness and the past collection history of counterparty. If the financial conditions of the counterparties and their ability to make payments worsen, additional impairment may be required.

(e) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's most critical accounting estimates. There are several sources that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims, more particularly, bodily injury claims arising from Employees' Compensation and Motor insurance policies that may result in substantial amount of judicial awards payable.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(f) Tax exposure on financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss held in the PRC

Certain financial assets at fair value through other comprehensive income ('FVOCI') and financial assets at fair value through profit or loss held by the Group are unlisted equity securities in the PRC and are subject to the PRC tax jurisdictions. Criteria that lead to tax exemption under the relevant double taxation treaty between the PRC and Hong Kong have been examined and evaluated to determine the potential tax consequence arising from the revaluation of these securities. In particular, management judgment is required to assess: (1) whether the Group is a qualified Hong Kong tax resident; (2) whether the net book value of the underlying immovable properties of the FVOCI securities has never exceeded 50% of their total assets within three years; and (3) whether less than 25% of the equity interest in the FVOCI securities is held by the non-PRC investors throughout the previous 12 month period. As at 31 December 2019 and 2018, the Group incurred neither current tax nor deferred tax liabilities from these securities.

(g) Deferred tax assets/liabilities

As at 31 December 2019, for entities incorporated in Hong Kong, no deferred tax asset has been recognised on the estimated unused tax losses of approximately HK$143.2 million (2018: HK$143.2 million) due to the unpredictability of future profit streams for these entities. In cases where the actual future profits generated are more than expected, recognition of deferred tax assets may arise.

(h) Control over structured entities

Where the Group acts as asset manager of structured entities, the Group makes judgment on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically.

5 Revenue

During the year, the Group has re-considered the form of presentation of revenue on the face of consolidated statement of comprehensive income, and considered that the separate disclosure of interest income from the revenue from brokerage, corporate finance, investment, asset management and property investment on the face of consolidated statement of comprehensive income would better enhance the presentation of information and the usefulness to the users of the consolidated financial statements. Accordingly, the comparative figures of revenue on the face of the consolidated statement of comprehensive income on page 8 have been re-presented. The classification and amount of each category in note 5(a) and note 5(b) below have not changed.

5(a) Revenue from brokerage, corporate finance, investment, asset management and property investment

	2019	2018
Revenue from brokerage, corporate finance and asset management (Note):	HK$	HK$
Brokerage:		
Commission and brokerage on securities dealing	63,232,454	49,337,340
Corporate finance:		
Advisory fee for corporate finance services	307,855,537	403,527,125
Underwriting commission	220,752,909	140,048,337
Asset management:		
Management fee income	140,656,326	143,718,640
Revenue from financial investment:		
Dividend income from investments	882,293,154	604,478,293
Revenue from leases of investment properties:		
Rental income	32,759,493	32,055,726
	1,647,549,873	1,373,165,461

Note:
Commission and brokerage on securities, Advisory fee for corporate finance services, underwriting commission and management fee income are the revenue arising from HKFRS 15. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$565,856,713 (2018: HK$573,912,974) and HK$166,640,513 (2018: HK$162,718,468) respectively.

5(b) Revenue from interest income

	2019	2018
	HK$	HK$
Interest income from:		
Margin financing	164,457,363	160,512,386
Financial assets at amortised cost	622,667,204	778,707,838
Financial assets at fair value through other comprehensive income	10,332,637	15,776,751
	797,457,204	954,996,975

6 Other income

	2019 HK$	2018 HK$
Bank interest income	61,099,742	54,247,960
Interest income from financial assets held under resale agreements	2,016,806	2,484,090
Tax refund and subsidies from government	24,683,461	17,684,678
Arrangement fee income	6,378,079	53,615,302
Others	891,227	3,710,288
	95,069,315	131,742,318

7 Other gains and losses

	2019 HK$	2018 HK$
Net realised gain on:		
- financial assets at fair value through other comprehensive income	4,394,812	-
- financial assets at fair value through profit or loss	387,434,042	432,513,206
Net unrealised gain/(loss) in fair value of financial assets at fair value through profit and loss	551,938,420	(635,641,059)
	943,767,274	(203,127,853)

8 Net claims incurred

	2019 HK$	2018 HK$
Decrease/(increase) in gross outstanding claims	475,765	(13,580,092)
(Decrease)/increase in recoverable from reinsurance of outstanding claims	(22,086,144)	6,682,114
Increase in net outstanding claims	(21,610,379)	(6,897,978)
Gross claims paid	(107,778,128)	(58,235,753)
Reinsurance claims recoveries	93,090,852	54,553,887
(Increase)/decrease in provision for unexpired risk	(439,000)	339,000
Net claims incurred	(36,736,655)	(10,240,844)

9(a) Staff costs

	2019 HK$	2018 HK$
Staff costs represent the amounts paid and payable to directors and other staff which comprises:		
Salaries, bonus, allowances and commission	328,125,552	340,311,382
Contributions to retirement benefits scheme	5,137,456	3,160,722
	333,263,008	343,472,104

9(b) Benefits and interests of directors (disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G))

	2019 HK$	2018 HK$
Directors' emoluments:		
Salaries, bonus and other emoluments	7,368,761	6,927,423

During the preparation of the directors' emolument disclosures above, the Group has revisited the scope of directors based on the Companies Ordinance. Accordingly, the comparative amount has been restated to conform with the current year's presentation. There have been no impacts to the profit before income tax for the year ended 31 December 2018.

During the year, no termination benefits were paid by the Group to any of its directors and the Group did not incur any payment to third parties for making available directors' services (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans or other dealings in favonr of the directors, their controlled bodies corporate and connected entities (2018: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. (2018: Nil).

10 Finance costs

	2019 HK$	2018 HK$
Interest on:		
Bank loans and other borrowings wholly repayable within five years	376,812,321	719,341,705
Financial assets sold under repurchase agreements	10,968,662	8,599,182
Amount due to a fellow subsidiary	852,124	-
Notes issued (Note 28)	633,368,215	350,162,258
Lease liabilities	1,467,446	-
Others	21,734,832	2,451,329
	1,045,203,600	1,080,554,474

11 Profit before income tax

	2019 HK$	2018 HK$
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration		
- Audit services	7,457,047	3,879,799
- Non audit services	811,200	883,200
Depreciation of property and equipment	8,795,162	9,865,256
Depreciation of investment properties	3,887,150	3,887,150
Net exchange gain	(111,600,169)	(59,627,234)
Rental expenses	24,308,443	49,662,346
Depreciation of right-of-use assets	30,997,145	-
Information system expenses	16,733,405	16,241,145
Financial advisory fee	31,256,161	47,915,787
Office building management fee	9,525,942	8,564,698
Commission expense	5,481,711	6,115,169
Travelling expense	15,403,420	15,979,653
Legal and other professional fee	6,539,849	4,328,104

12 Taxation

	2019 HK$	2018 HK$
Current year:		
Hong Kong Profits Tax		
- charge for the year	119,092,268	138,717,293
- under-provision for prior year	190,602	519,356
PRC Enterprise Income Tax		
- charge for the year	159,811,420	106,500,080
- under-provision for prior year	(802,329)	104,307
Deferred taxation		
- current year	(69,528,301)	(44,368,633)
	208,763,660	201,472,403

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits and PRC Enterprise Income Tax is calculated at 25% (2018: 25%) on the estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2019 HK$	2018 HK$
Profit before income tax	1,582,687,632	466,354,991
Taxation at income tax rate of 16.5% (2018: 16.5%)	261,143,459	76,948,574
Effect of different tax rates of group entities outside Hong Kong	22,607,306	24,060,087
Tax effect of expenses not deductible for tax purpose	177,472,766	198,614,390
Tax effect of income not taxable for tax purpose	(249,773,229)	(99,307,703)
(Over)/under-provision in prior year	(611,727)	623,663
Utilisation of tax losses previously not recognised	(2,082,670)	-
Tax effect of tax losses not recognised	7,755	431,188
Others	-	102,204
Taxation for the year	208,763,660	201,472,403

12 Taxation (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

Deferred tax assets	Impairment loss on investment HK$	Decelerated tax depreciation HK$	Fair value changes HK$	Accrued expenses HK$	Tax losses HK$	Total HK$
At 1 January 2018	29,539,583	672,101	34,586,587	16,098,381	2,102,702	82,999,354
Credited to other comprehensive income	-	-	4,931,065	-	-	4,931,065
(Charged)/credited to profit or loss	46,668,324	814,993	(14,610,146)	(1,795,112)	14,127,089	45,205,148
At 31 December 2018 and 1 January 2019	76,207,907	1,487,094	24,907,506	14,303,269	16,229,791	133,135,567
Credited to other comprehensive income	-	-	2,017,873	-	-	2,017,873
(Charged)/credited to profit or loss	83,010,198	156,961	(4,632,270)	(13,767,658)	(14,821,728)	49,945,503
At 31 December 2019	159,218,105	1,644,055	22,293,109	535,611	1,408,063	185,098,943

Deferred tax liabilities	Fair value gains HK$	Investment properties HK$	Total HK$
At 1 January 2018	95,027,378	8,544,718	103,572,096
Charged to profit or loss	199,412	637,103	836,515
At 31 December 2018 and 1 January 2019	95,226,790	9,181,821	104,408,611
(Credited)/charged to profit or loss	(20,762,032)	637,712	(20,124,320)
At 31 December 2019	74,464,758	9,819,533	84,284,291

The following is the analysis of the deferred tax balances for financial reporting purpose.

	2019 HK$	2018 HK$
Deferred tax assets	185,098,943	133,135,567
Deferred tax liabilities	(84,284,291)	(104,408,611)

At 31 December 2019, the deferred tax assets in respect of tax losses of approximately HK$23,631,076 (2018: HK$23,634,516) have not been recognised due to the unpredictability of future profit streams to utilised such losses. Unrecognised tax losses amounted to HK$143,218,643 (2018: HK$143,239,496) has no expiry date.

13 Property and equipment

	Land and buildings HK$	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Motor vehicle HK$	Computer and equipment HK$	Total HK$
Cost							
At 1 January 2018	71,482,749	29,762,863	13,959,958	14,435,758	6,743,512	23,925,191	160,310,031
Additions	-	379,178	89,853	318,607	17,599	1,473,884	2,279,121
Disposal	-	-	(502,716)	(409,216)	(259,459)	(64,822)	(1,236,213)
Effect of foreign currency exchange differences	-	(327,676)	(164,860)	(190,710)	(205,852)	(239,357)	(1,128,455)
At 31 December 2018 and 1 January 2019	71,482,749	29,814,365	13,382,235	14,154,439	6,295,800	25,094,896	160,224,484
Additions	-	4,800,172	1,492,615	634,370	-	2,661,880	9,589,037
Disposal	-	-	(480,873)	-	-	(9,068)	(489,941)
Effect of foreign currency exchange differences	-	(148,597)	(77,707)	(87,006)	(92,301)	(117,945)	(523,556)
At 31 December 2019	71,482,749	34,465,940	14,316,270	14,701,803	6,203,499	27,629,763	168,800,024
Accumulated depreciation							
At 1 January 2018	10,251,269	24,525,440	10,966,547	11,882,445	5,996,713	18,703,111	82,325,525
Provided for the year	680,479	2,879,021	1,274,944	1,596,205	262,863	3,171,744	9,865,256
Elimination on disposal	-	-	(472,316)	(409,215)	(43,618)	(64,823)	(989,972)
Effect of foreign currency exchange differences	-	(265,584)	(129,348)	(156,964)	(188,503)	(189,572)	(929,971)
At 31 December 2018 and 1 January 2019	10,931,748	27,138,877	11,639,827	12,912,471	6,027,455	21,620,460	90,270,838
Provided for the year	680,479	3,237,162	1,140,347	824,723	150,507	2,761,944	8,795,162
Elimination on disposal	-	-	(480,873)	-	-	(9,068)	(489,941)
Effect of foreign currency exchange differences	-	(143,180)	(67,307)	(79,859)	(89,061)	(98,438)	(477,845)
At 31 December 2019	11,612,227	30,232,859	12,231,994	13,657,335	6,088,901	24,274,898	98,098,214
Carrying values							
At 31 December 2019	59,870,522	4,233,081	2,084,276	1,044,468	114,598	3,354,865	70,701,810
At 31 December 2018	60,551,001	2,675,488	1,742,408	1,241,968	268,345	3,474,436	69,953,646

13(b) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019 HK$	1 January 2019 HK$
Right-of-use assets		
Buildings	93,593,906	48,245,743
	93,593,906	48,245,743
Lease Liabilities		
Current	-	-
Non-current	91,566,318	48,245,743
	91,566,318	48,245,743

Additions to the right-of-use assets during the 2019 financial year were HK$76,031,851. There were HK$20,771,808 additions based on the rental agreements signed between the Group and a branch of the immediate holding company.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 HK$	2018 HK$
Depreciation charge of right-of-use assets		
Buildings	30,997,145	-
	30,997,145	-
Interest expense (included in finance cost)	1,467,446	-
Expense relating to short-term leases (included in other operating expenses)	24,308,443	-

The total cash outflow for leases in 2019 was HK$34,462,001

13(b) Lease (Continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 months to 3 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. 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 lessor.

14 Investment properties

	HK$
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	390,682,206
Accumulated depreciation:	
At 1 January 2018	77,225,877
Provided for the year	3,887,150
At 31 December 2018	81,113,027
Provided for the year	3,887,150
At 31 December 2019	85,000,177
Net book value:	
At 31 December 2019	305,682,029
At 31 December 2018	309,569,179

All of the investment properties of the Group are located in the Hong Kong. The fair value of the Group's investment properties as at 31 December 2019 and 2018 are HK$1,520,639,500 and HK$1,547,439,500, respectively according to the Property Valuation Reports issued by CS Surveyors Limited, which is an independent qualified valuer in Hong Kong on the basis of market value. Investment properties would be classified as Level 2 under fair value hierarchy as at 31 December 2019 and 2018.

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: Nil).

15 Financial assets at fair value through other comprehensive income

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

15 Financial assets at fair value through other comprehensive income (Continued)

(i) Classification of financial assets at fair value through other comprehensive income (Continued)

	2019 HK$	2018 HK$
Balance at 1 January	1,441,185,558	2,428,059,343
Change in accounting policy	N/A	(853,784,592)
Additions	469,595,313	129,880,466
Disposals	(179,184,837)	(170,181,045)
Net change transfer to equity	26,414,493	(34,146,815)
Amortisation	(820,153)	(866,074)
Exchange realignment	(28,454,048)	(57,775,725)
Balance at 31 December	1,728,736,326	1,441,185,558
Unlisted equity securities	1,109,639,348	1,126,183,623
Debt securities listed in Hong Kong (Note a)	619,096,978	315,001,935
	1,728,736,326	1,441,185,558

Note:

(a) On disposal of these debt securities, any related balance within the financial assets at fair value through other comprehensive income reserve is reclassified to profit or loss.

(ii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	2019 HK$	2018 HK$
Fair value gains/(losses) recognised in other comprehensive income, net of deferred tax	22,019,681	(34,146,815)
Gains reclassified from other comprehensive income to profit or loss on the sale of financial assets at fair value through other comprehensive income	4,394,812	-

15 Financial assets at fair value through other comprehensive income (Continued)

(iii) Fair value, impairment and risk exposure

Debt securities at fair value through other comprehensive income are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

Movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

	Total HK$
Balances as at 1 January 2018	15,897,469
Reversal of provision for impairment losses	(15,645,126)
Exchange realignment	(41,378)
Balances as at 31 December 2018	210,965
Increase in provision for impairment losses	2,093,108
Exchange realignment	(11,288)
At the end of the year	2,292,785

16 Financial assets at amortised cost

	2019 HK$	2018 HK$
Listed bonds (Note i)	1,000,976,884	-
Private bonds (Note ii)	669,755,100	1,527,418,425
Entrusted loans (Note iii)	1,213,468,102	2,096,553,404
Secured loans (Note iv)	6,072,051,404	6,120,093,311
	8,956,251,490	9,744,065,140
Less: Impairment allowances on financial assets at amortised cost (Note v)	(802,527,688)	(428,397,181)
	8,153,723,802	9,315,667,959

Notes:

(i) Included in the above listed bonds are investments of HK$770,130,800 listed in Hong Kong and HK$230,846,084 listed in Singapore.

(ii) The private bonds bear interest at 8.5% (2018: ranging from 8.5% to 15%). As at 31 December 2019, HK$2,216,180 expected credit loss are considered necessary for the private bonds as at 31 December 2019 (2018: HK$10,163,519).

(iii) The entrusted loans bear interest at rates ranging from 6% to 13% (2018: 6% to 13%).

(iv) As at 31 December 2019 and 2018, the entire Group's secured loans are secured by unlisted securities and assets.

16 Financial assets at amortised cost (Continued)

(v) As at 31 December 2019, the Group's exposure of credit-impaired Stage 3 financial assets at amortised cost covered by collateral and pledge of the Group was HK$393,310,053 (2018: HK$398,922,903).

(vi) At the end of the reporting period, the carrying amounts of the Group's financial assets at amortised cost approximate to their fair values.

Movements in impairment allowances for financial assets at amortised cost are as follows:

	Total HK$
Balances as at 1 January 2018	185,409,788
Increase in provision for impairment losses	252,513,943
Exchange realignment	(9,526,550)
Balances as at 31 December 2018	428,397,181
Increase in provision for impairment losses	386,709,940
Exchange realignment	(12,579,433)
At the end of the year	802,527,688

17 Amounts due from/to related parties

	2019 HK$	2018 HK$
Amount due from branches of the immediate holding company (Note 32)	233,533,656	232,128,262
Amount due to a branch of the immediate holding company (Note 32)		
- interest payable	676,123	2,046,346
- guarantee fee payable	31,540,793	53,800,263
- current account	37,249	3,053
	32,254,165	55,849,662
Amount due to a fellow subsidiary (Note 32)	55,817,300	57,064,597

The amount due from and the amount due to immediate holding company are unsecured, non-interest bearing and repayable on demand.

As at 31 December 2019, amount due to a fellow subsidiary amounted to HK$55,817,300 (2018: HK$57,064,597) is unsecured, bearing interest at a fixed rate of 1.5% per annum and mature in 2019.

18 Reinsurance assets

Reinsurance assets mainly represent the reinsurers' share of outstanding claims and unearned premiums.

	2019 HK$	2018 HK$
Claims recoverable from reinsurance comprises:		
Reported claims (Note 24)	131,426,155	112,322,299
Claims incurred but not reported (Note 24)	128,627,000	169,817,000
	260,053,155	282,139,299
Unearned premiums (Note 25)	69,813,581	76,739,991
	329,866,736	358,879,290

19 Account and trade receivables and accrued fee income

(a) Account and trade receivables

	2019 HK$	2018 HK$
Account receivables arising from the business of securities dealing and brokerage:		
-Cash clients (Note i)	10,842,447	27,182,850
-Margin clients (Note ii)	2,100,253,371	2,914,859,408
-Clearing houses and brokers (Note i)	39,540,691	2,633,842
-Placing transaction receivable from clients and others (Note iii)	402,898	278,907,394
	2,151,039,407	3,223,583,494
Trade receivables arising from:		
-Insurance business (Note iv)	47,344,397	57,414,122
-Business of corporate finance activities and financial advisory (Note v)	43,535,505	42,536,970
-Direct investment business (Note vi)	-	1,803,323
-Asset management business (Note vii)	3,955,876	6,778,958
	2,245,875,185	3,332,116,867
Less: Impairment allowances on account and trade receivables	(66,797,761)	(164,971,434)
	2,179,077,424	3,167,145,433

The settlement terms of account receivables arising from the business of securities dealing and broking excluding margin clients are two days after trade date.

19 Account and trade receivables and accrued fee income (Continued)

(a) Account and trade receivables (Continued)

Note:

(i) In respect of the account receivable from cash clients, clearing houses, brokers arising from securities dealing, the aging analysis, prepared with reference to trade date, is as follows:

	2019 HK$	2018 HK$
Not-yet-due	47,796,518	28,625,706
3 - 30 days	2,402,522	829,411
31 - 60 days	45,155	225,023
61 - 90 days	198	687
Over 90 days	138,745	135,865
	50,383,138	29,816,692
Represented by:		
Cash clients	10,842,447	27,182,850
Clearing houses and brokers	39,540,691	2,633,842
	50,383,138	29,816,692

Included in the Company's account receivable from cash clients, clearing houses and brokers arising from securities dealing are debtors with an aggregate carrying amount of HK$2,451,039 (2018: HK$1,057,477) which are past due but not impaired. The balances are included as part of and secured by the respective clients' portfolio who have client securities at fair values of HK$435,783,730 (2018: HK$457,118,819). In the opinion of the management and taking into accounts of the securities held relating to these trade receivables, impairment allowance of HK$135,055 (2018: HK$133,509) is made.

Movements in impairment allowances for account receivable from cash clients are as follows:

	Total HK$
Balances as at 1 January 2018	130,408
Increase in provision for impairment losses	3,101
Balances as at 31 December 2018	133,509
Increase in provision for impairment losses	1,546
At the end of the year	135,055

19 Account and trade receivables and accrued fee income (Continued)

(a) Account and trade receivables (Continued)

Notes: (Continued)

(ii) Loans to margin clients are secured by clients' pledged securities at fair values of approximately HK$7,993,597,529 (2018: HK$9,134,911,715) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at variable commercial rates.

No aging analysis is disclosed for margin clients as in the opinion of directors of the Company, the aging analysis of margin loans does not give additional value in view of the nature of business of securities margin financing.

(iii) Placing transaction receivables from clients and others are unsecured, non-interest bearing and not yet due. Impairment allowance of HK$8,058 (2018: HK$5,580,072) is provided for placing transaction receivables from clients and others.

Movements in impairment allowance for placing transaction receivables from client and others are as follow:

	Total HK$
Balances as at 1 January 2018	-
Provision for impairment losses	5,580,072
Balances as at 31 December 2018	5,580,072
Provision for impairment losses	(5,572,014)
At the end of the year	8,058

19 Account and trade receivables and accrued fee income (Continued)

(a) Account and trade receivables (Continued)

Notes: (Continued)

(iv) All trade receivables arising from insurance business are expected to be recovered within one year.

The average credit period on insurance trade receivables is 3 months. No interest is charged on the insurance trade receivables. The following is an aging analysis of insurance trade receivables at the end of the reporting date:

	2019 HK$	2018 HK$
0 - 3 months	8,919,294	35,896,454
4 - 6 months	17,395,640	19,199,936
Over 6 months	20,691,061	2,317,732
	47,005,995	57,414,122

Included in the Group's trade receivables arising from insurance business are debtors with an aggregate carrying amount of HK$38,086,701 (2018: HK$21,517,668) which are considered as past due but not impaired at the end of the reporting date. These receivables are mainly derived from transactions with overseas counterparties which normally take longer time to process. As the Group has regular reconciliations and continnous settlements for such accounts, management considers that these balances are not impaired.

(v) The following is an aging analysis of class of trade receivables from the businesses of corporate finance activities and financial advisory at the end of the reporting date:

	2019 HK$	2018 HK$
0 - 3 months	39,518,487	37,458,331
4 - 6 months	2,874,996	152,112
7 - 12 months	303,646	847,355
Over 12 months	342,665	4,079,172
	43,039,794	42,536,970

19 Account and trade receivables and accrued fee income (Continued)

(a) Account and trade receivables (Continued)

Notes: (Continued)

(v) The following is an aging analysis of class of trade receivables from the businesses of corporate finance activities and financial advisory at the end of the reporting date: (Continued)

Movements in impartment allowances for trade receivables from the business of corporate finance activities and financial advisory are as follows:

	Total HK$
Balance as at 1 January 2018	262,654
Increase in provision for impairment losses	530,783
Exchange realignment	(8,036)
Balance as at 31 December 2018	785,401
Reversal of provision for impairment losses	471,344
Exchange realignment	-
At the end of the year	1,256,745

(vi) Movements in impairment allowances for trade receivables from direct investment business are as follows:

	Total HK$
Balance as at 1 January 2018	-
Increase in provision for impairment losses	5,771
Balance as at 31 December 2018	5,771
Exchange realignment	(5,771)
At the end of the year	-

19 Account and trade receivables and accrued fee income (Continued)

(a) Account and trade receivables (Continued)

Notes: (Continued)

(vii) All trade receivables from asset management business amounted to HK$3,955,878 (2018: HK$6,778,958) were past due but not impaired. The following is an aging analysis of class of trade receivables from asset management business at the end of the reporting date:

	2019 HK$	2018 HK$
0 - 3 months	3,002,042	4,738,001
4 - 6 months	659,496	1,983,410
7 - 12 months	56,375	57,547
Over 12 months	237,965	
	3,955,878	6,778,958

(b) Accrued fee income

Impairment allowance of HK$1,072,028 (2018: HK$1,128,678) is provided for accrued fee income with a carrying amount of HK$53,151,376 (2018: HK$52,233,888).

Movement in impairment allowance for accrued fee income are as follow:

	Total HK$
Balances as at 1 January 2018	409,023
Increase in provision for impairment losses	719,655
Balances as at 31 December 2018	1,128,678
Reversal of provision for impairment losses	(56,650)
At the end of the year	1,072,028

20 Other receivables, deposits and prepayments

	2019 HK$	2018 HK$
Utility and rental deposits	17,281,108	12,439,602
Prepayments	278,654,081	28,085,482
Interest receivable	110,369,593	90,134,212
Dividend receivable	47,857,595	45,501,619
Others	-	28,466
	454,162,377	176,189,381

Impairment allowance of HK$27,940,473 (2018: HK$3,911,291) is provided for other receivables and deposits with a carrying amount of HK$483,359,595 (2018: HK$148,103,900).

Movements in impairment allowances for other receivables and deposits are as follows:

	Total HK$
Balances as at 1 January 2018	639,569
Increase in provision for impairment losses	3,075,413
Exchange realignment	196,309
Balances as at 31 December 2018	3,911,291
Increase in provision for impairment losses	22,782,512
Exchange realignment	1,246,670
At the end of the year	27,940,473

21 Financial assets and financial liabilities at fair value through profit or loss

	2019 HK$	2018 HK$
Convertible bonds, preference shares, and senior notes with warrants/options		
- convertible bonds	76,551,629	277,195,296
- preference shares	1,858,597,374	1,163,128,171
- senior notes with warrants/options	1,417,636,410	936,272,282
	3,352,785,413	2,376,595,749
Loans with derivatives	233,974,544	232,962,867
Funds/trusts		
- investment in funds which are managed by subsidiaries of the Group (Note a)	402,796,695	537,276,218
- investment in funds which are managed by third party (Note a)	5,679,053,838	6,085,638,365
- investment in a fund management scheme which is managed by third party	-	225,364,832
- investment in trusts (Note a)	1,687,597,199	2,405,818,836
	7,769,447,732	9,254,098,251
Listed securities		
- investment in listed preference shares and bonds	1,408,474,795	2,215,367,951
- investment in listed equity securities	2,133,939,519	2,119,187,012
	3,542,414,314	4,334,554,963
Restricted listed securities	154,609,902	557,770,140
Listed securities with options	418,294,408	396,972,690
Unlisted equity securities		
- investment in equity interest in entities (Note b)	5,058,451,351	4,445,308,287
	20,529,977,664	21,598,262,947
Financial liabilities measured at fair value through profit or loss		
Listed equity securities	364,408,753	-

21 Financial assets and financial liabilities at fair value through profit or loss (Continued)

Notes:

(a) The Group invested in unconsolidated funds and trusts. Detailed analysis is disclosed in Note 36 to the consolidated financial statements.

(b) In the opinion of the directors, there is no control exercised by the Group in these entities.

(c) The management considers certain associates and joint ventures are held by, or is held indirectly through, the Group's venture capital organisations and are accounted for under fair value measurement basis. These associates and joint ventures are included in these investments with the carrying amounts of HK$1,359,743,090 (2018: HK$1,373,974,551) and HK$15,743,928 (2018: HK$13,757,355) respectively.

Venture capital organisations designated as financial assets at fair value through profit or loss are classified as below:

	2019 HK$	2018 HK$
Investment in funds	790,820,204	684,827,040
Investment in unlisted equity securities	584,666,814	702,904,866
	1,375,487,018	1,387,731,906

22 Financial assets held under resale agreements

	2019 HK$	2018 HK$
Analysed by type of collateral:		
PRC government bonds	283,998,422	16,980,142

The Group enters into short-term investment arrangements secured by PRC government bonds. The PRC government bonds held are not recognised on the statement of financial position.

As at 31 December 2019, the financial assets held under resale agreements will mature within 2 to 46 days (2018: 14 days) from the purchase date, with interest rates ranging from 2.95% to 3.185% (2018: ranging from 5.4% to 14.6%) per annum. The carrying amount of the securities purchased under resale agreements approximate to their fair value.

23 Bank balances and cash

	2019 HK$	2018 HK$
Bank balances		
- general accounts (note i)	3,769,477,809	5,178,459,185
- restricted bank deposits (note ii)	-	91,303,360
- segregated accounts (note iii)	766,326,107	1,112,489,594
Cash in hand	42,108	44,165
	4,535,846,024	6,382,296,304

23 Bank balances and cash (Continued)

	2019 HK$	2018 HK$
Cash and cash equivalents as disclosed in consolidated statement of cash flows	3,624,394,937	5,087,738,943
Fixed deposits with original maturity over three months	145,124,980	90,764,407
Other bank balances		
- restricted bank deposits	-	91,303,360
- segregated accounts	766,326,107	1,112,489,594
	4,535,846,024	6,382,296,304

Notes:

(i) The general accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rate.

(ii) As at 31 December 2018, the restricted bank deposits were pledged for a secured bank loan from other financial institution as disclosed in Note 27.

(iii) The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions as the Group does not have a currently enforceable right to offset those payables with the deposits placed.

24 Outstanding claims

	2019 HK$	2018 HK$
Gross outstanding claims comprise:		
Reported claims	158,027,353	129,840,118
Claims incurred but not reported	164,196,000	192,859,000
	322,223,353	322,699,118
Claims recoverable from reinsurance comprises:		
Reported claims (Note 18)	(131,426,155)	(112,322,299)
Claims incurred but not reported (Note 18)	(128,627,000)	(169,817,000)
	(260,053,155)	(282,139,299)
	62,170,198	40,559,819

The remaining contractual maturity for all outstanding claims is within one year or on demand.

24 Outstanding claims (Continued)

Movements in outstanding claims are set out as follows:

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	322,699,118	(282,139,299)	40,559,819	309,458,026	(275,457,185)	34,000,841
Net change in reported claims	135,965,363	(112,194,708)	23,770,655	80,001,845	(71,647,001)	8,354,844
Net change in claims incurred but not reported	(28,663,000)	41,190,000	12,527,000	(8,525,000)	10,411,000	1,886,000
Cash paid for claims settled	(107,778,128)	93,090,852	(14,687,276)	(58,235,753)	54,553,887	(3,681,866)
At 31 December	322,223,353	(260,053,155)	62,170,198	322,699,118	(282,139,299)	40,559,819

25 Unearned premiums

	2019	2018
	HK$	HK$
Gross unearned premiums	81,165,728	88,595,778
Recoverable from reinsurance of unearned premiums (Note 18)	(69,813,581)	(76,739,991)
Net unearned premiums	11,352,147	11,855,787

The remaining contractual maturity for all unearned premiums is within one year.

Movements in unearned premiums are set out as follows:

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	88,595,778	(76,739,991)	11,855,787	62,375,043	(54,414,199)	7,960,844
Premium earned during the year	(251,664,163)	207,520,310	(44,143,853)	(192,394,667)	168,757,284	(23,637,383)
Premium written during the year	244,234,113	(200,593,900)	43,640,213	218,615,402	(191,083,076)	27,532,326
At 31 December	81,165,728	(69,813,581)	11,352,147	88,595,778	(76,739,991)	11,855,787

26 Trade payables

	2019 HK$	2018 HK$
Trade payables arising from the business of securities dealing and brokerage:		
Cash clients	343,743,213	418,025,723
Margin clients	394,144,708	501,183,693
Clearing houses and brokers	129,121,792	293,996,512
Others	652,174	230,825
	867,661,887	1,213,436,753
Trade payables arising from asset management business	107,373,825	194,888,660
Trade payables arising from insurance business	26,981,643	33,313,924
	1,002,017,355	1,441,639,337

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date, except for the trade payables to margin clients, which are repayable on demand.

27 Borrowings

	2019 HK$	2018 HK$
Unsecured bank borrowing from immediate holding company (Note a), (Note 32)	1,265,095,710	1,712,969,600
Other unsecured bank borrowing (Note b)	8,428,365,094	7,024,745,772
Other secured bank borrowing (Note c)	-	86,738,192
Unsecured other borrowings (Note d)	4,175,100,550	6,813,468,730
	13,868,561,354	15,637,922,294
Analysed by maturity period:		
Non-current	3,125,768,800	4,154,268,641
Current	10,742,792,554	11,483,653,653
	13,868,561,354	15,637,922,294

27 Borrowings (Continued)

Notes:

(a) The amount represents one (2018: two) short-term unsecured bank loans from immediate holding company which are repayable within one year. The average effective interest rate is 0.74 % (2018: 0.90% to 2.98%) per annum.

(b) The amount represents unsecured bank loans from other financial institutions. The average effective interest rate for the borrowings is ranging from 0.7% to 5.5% (2018: 0.90% to 5.6%) per annum.

(c) The amount represents secured bank loans from other financial institution. It was pledged by the restricted bank deposits as disclosed in Note 23. The effective interest rate for the borrowing was 5.22% per annum in 2018.

(d) The Group borrowed loans of aggregate amount of RMB3,739,970,000 (2018: RMB5,969,961,000) through entrusted loans. The average effective interest rate is ranging from 4.04% to 5.70% (2018: 4.04% to 5.70%) per annum.

(e) The fair value of borrowings approximate to their carrying amount, as the impact of discounting is not significant.

28 Notes issued

	2019 HK$	2018 HK$
Guaranteed US dollars denominated notes	10,065,342,661	13,981,870,745
Non-guaranteed RMB denominated notes	3,346,239,146	3,419,229,208
	13,411,581,807	17,401,099,953

On 19 September 2017, the Group issued US$500,000,000 guaranteed notes. The notes will mature on 19 September 2020, with interest at 2.5% per annum and payable semi-annually. The notes are unconditionally guaranteed by Agricultural Bank of China Limited Hong Kong Branch.

On 21 August 2018, the Group issued RMB3,000,000,000 non-guaranteed notes. The notes will mature on 21 August 2021, with interest at 4.7% per annum and payable annually.

On 19 September 2018, the Group issued US$300,000,000 guaranteed notes. The notes will mature on 19 September 2021, with interest at 3.875% per annum and payable semi-annually. The notes are unconditionally guaranteed by Agricultural Bank of China Limited Hong Kong Branch.

On 19 September 2018, the Group issued US$500,000,000 guaranteed notes. The notes will mature on 19 September 2021, with interest at 3-month LIBOR + 0.85% per annum and payable semi-annually. The notes are unconditionally guaranteed by Agricultural Bank of China Limited Hong Kong Branch.

As at 31 December 2019 and 2018, the fair value of the notes approximate to their carrying value.

29 Financial assets sold under repurchase agreements

	2019 HK$	2018 HK$
Analysed by type of collateral:		
Income right of unlisted equity securities	334,903,800	228,258,400
	334,903,800	228,258,400
Analysed by maturity period:		
Non-current	-	228,258,400
Current	334,903,800	-
	334,903,800	228,258,400

The Group entered into transactions in which it transferred income rights of financial assets directly to third parties. These transfers will not give rise to derecognition of the financial assets concerned as all the risks and rewards of ownership are not transferred and control is retained.

As at 31 December 2019, the financial assets sold under repurchase agreements bear interest rates at 4.75% to 5.5% (2018: 4.75%) per annum.

30 Derivative Financial Instruments

	2019 HK$	2018 HK$
Liabilities		
Interest rate swap contracts – cash flow hedges	58,114,207	33,067,101
Analysed by maturity period:		
Non-current	37,333,600	33,067,101
Current	20,780,607	-
	58,114,207	33,067,101

During the year ended 31 December 2018, the Group entered into two interest rate swap contracts with maturity dates falling in two to three years with an authorized financial institution for the purpose of hedging of the interest rate risk arising from the notes issued (Note 28) by the Group. Further details of the derivative financial instruments are set out in Note 3.1(a)(iii).

30 Derivative Financial Instruments (Continued)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting are recognised in the hedging reserve in equity. There was no ineffectiveness during 2019 in relation to the interest rate swaps.

The Group's hedging reserve related to following hedging instruments:

	Cash flow hedge reserve HK$	Total hedging reserve HK$
At 1 January 2018	-	-
Change in fair value of hedging instruments recognised in other comprehensive income	(33,067,101)	(33,067,101)
At 31 December 2018 and 1 January 2019	(33,067,101)	(33,067,101)
Change in fair value of hedging instruments recognised in other comprehensive income	(25,047,106)	(25,047,106)
At 31 December 2019	(58,114,207)	(58,114,207)

31 Share capital

	2019 HK$	2018 HK$
Ordinary shares, issued and fully paid:		
As at 1 January and 31 December	4,113,392,450	4,113,392,450

32 Related party transaction

Other than as disclosed elsewhere in the financial statements, the Group had the following significant transactions between related parties:

		2019 HK$	2018 HK$
(i)	Underwriting commission fee to the immediate holding company (Note a)	1,102,582	396,700
(ii)	Interest income from branches of the immediate holding company (Note b)	37,773,906	35,934,156
(iii)	Underwriting commission income, financial advisory fees and management fee income from branches of the immediate holding company (Note c)	272,537,710	358,930,435
(iv)	Rental expenses to a branch of the immediate holding company (Note d) -For rental under operating lease -For right-of-use assets	886,064 26,344,698	25,381,090 -
(v)	Guarantee fee paid to a branch of the immediate holding company (Note e)	40,626,617	25,979,168
(vi)	Amount due to a branch of the immediate holding company (Note 17)	32,254,165	55,849,662
(vii)	Financial advisory fees to certain branches of the immediate holding company (Note c)	3,535,791	23,945,939
(viii)	Interest expenses to certain branches of the immediate holding company (Note f)	14,174,361	30,719,717
(ix)	Interest expenses to a fellow subsidiary (Note g)	852,124	888,719
(x)	Bank charges to certain branches of the immediate holding company (Note h)	123,424	127,773
(xi)	Bank balance deposited in branches of the immediate holding company (Note 23)	1,858,028,790	2,661,560,774
(xii)	Bank borrowing from a branch of the immediate holding company (Note 27)	1,265,095,710	1,712,969,600

32 Related party transaction (Continued)

		2019 HK$	2018 HK$
(xiii)	Amount due to a fellow subsidiary (Note 17)	55,817,300	57,064,597
(xiv)	Amount due from certain branches of the immediate holding company (Note 17)	233,533,656	232,128,262
(xv)	Lease liabilities to a branch of the immediate holding company (Note 13b)	42,520,568	-
(xvi)	Right-of-use assets to a branch of the immediate holding company (Note 13b)	67,686,476	-

Notes:

(a) Underwriting commission fee is paid to the immediate holding company for the provision of underwriting services. The charges are based on the fee schedules signed between parties.

(b) Interest income is received from branches of the immediate holding company at prevailing market rate.

(c) Underwriting commission income, financial advisory and management fees are received from and paid to certain branches of the immediate holding company for the services performed and received respectively. The fees are calculated based on the fee agreement signed between parties.

(d) Rental expense is paid to the immediate holding company based on the rental agreements signed between the Group and a branch of the immediate holding company.

(e) Guarantee fee expense for the guaranteed notes issued (Note 28) is paid to the Hong Kong branch of the immediate holding company based on the fee agreement signed between parties. The amount disclosed above represent amount recognised in consolidated statement of comprehensive income during the year. The Group paid US$2,550,000 to the immediate holding company in respect of the financial guarantee during the year of 2019.

(f) Interest expenses are paid to certain branches of the immediate holding company at prevailing market interest rate.

(g) Interest expenses are paid to a fellow subsidiary at fixed rate stated in the agreement signed between parties.

(h) Bank charges are paid to certain branches of the immediate holding company based on the fee schedules that would be available to third parties.

Key management compensation

The management considered that the directors of the Company are the key management. Their compensation are disclosed in Note 9 to the consolidated financial statements.

33 Commitments and guarantees

(a) Non-cancellable operating leases

Minimum lease receipts under operating leases for the Group during the year are follows:

	2019 HK$	2018 HK$
The Group as lessor		
Within one year	26,236,180	27,597,230
Between 1 and 2 years	3,555,268	19,168,048
Between 2 and 3 years	-	2,351,880
Between 3 and 4 years	-	
Between 4 and 5 years	-	
Later than 5 years	-	
	29,791,448	49,117,158

(b) Fund commitments

	2019 HK$	2018 HK$
Outstanding commitments to the funds managed by the Group	72,562,460	73,867,833

34 Balance sheet and reserve movement of the Company

	Note	2019 HK$	2018 HK$
Assets			
Property and equipment		8,103,055	4,625,150
Leased Assets		41,056,837	-
Investments in subsidiaries	34(b)	4,955,062,160	4,175,062,160
Deferred tax assets		1,644,055	1,487,093
Loans to subsidiaries		22,816,418,356	24,583,275,483
Amounts due from subsidiaries		739,668,478	573,971,403
Financial assets at fair value through profit or loss		598,748,653	587,035,274
Other receivables, deposits and prepayments		18,311,569	23,158,802
Bank balances and cash		1,135,951,172	3,462,127,960
Total assets		30,314,964,335	33,410,743,325
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		4,113,392,450	4,113,392,450
Retained earnings	34(a)	264,993,290	134,984,585
Hedging reserve	34(a)	(58,114,207)	(33,067,101)
Total equity		4,320,271,533	4,215,309,934
Liabilities			
Tax payable		40,364,104	-
Other payables and accruals		171,135,744	219,031,205
Leased liabilities		42,520,568	-
Loans from suhsidiaries		10,625,654,928	14,556,359,706
Amounts due to subsidiaries		2,407,924,401	2,264,269,560
Derivatives		58,114,207	33,067,101
Borrowings		9,302,739,704	8,703,476,612
Notes issued		3,346,239,146	3,419,229,207
Total liabilities		25,994,692,802	29,195,433,391
Total equity and liabilities		30,314,964,335	33,410,743,325

The balance sheet of the Company was approved by the Board of Directors on 5 June 2020 and was signed on its behalf:

Huang Haiqin
Director

Cao Yi
Director

34(a) Reserve movement of the Company

	Hedging Reserve HK$	Retained earnings HK$
Balance at 1 January 2018	-	60,066,784
Profit for the year	-	74,917,801
Effective portion of changes in fair value	(33,067,101)	-
Balance at 31 December 2018	(33,067,101)	134,984,585
Balance at 1 January 2019	(33,067,101)	134,984,585
Profit for the year	-	130,008,705
Effective portion of changes in fair value	(25,047,106)	-
Balance at 31 December 2019	(58,114,207)	264,993,290

34(b) Subsidiaries

The following is a list of principal subsidiaries at 31 December 2019:

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2019	2018	2019	2018	
ABCI Securities Company Limited	Hong Kong	HK$1,780,000,000	HK$1,000,000,000	100%	100%	Provision of securities brokerage services and margin financing services
ABCI Insurance Company Limited	Hong Kong	HK$500,000,000	HK$500,000,000	100%	100%	Provision of general insurance services
ABCI Insurance Broker Limited*	Hong Kong	HK$129,600,000	HK$129,600,000	100%	100%	Provision of insurance brokerage services
Smart Huge Investments Limited	Hong Kong	HK$428,000,000	HK$428,000,000	100%	100%	Property investment
ABCI Capital Limited	Hong Kong	HK$100,000,000	HK$100,000,000	100%	100%	Advisory services on corporate finance
ABCI Assets Management Limited	Hong Kong	HK$50,000,000	HK$50,000,000	100%	100%	Asset management
ABCI Investment Management Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Futures Limited	Hong Kong	HK$50,000,000	HK$50,000,000	100%	100%	Inactive

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2019: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2019	2018	2019	2018	
Harbor Prosper (HK) Investments Limited*	Hong Kong	HK$25,500,000	HK$25,500,000	100%	100%	Investment holding
Harbor Sure (HK) Investments Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Harbor Bloom (HK) Investments Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Inventive Global Investments Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCIAM*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
Absolute Joyous Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Silver Bloom Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Soar Shine Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Silver Sure(BVI) Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Zhan Hong Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Advance Wisdom Investments Limited	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Smart Pioneer Inc Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Loving King Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Harmony Glory Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
ABC Silk Road Investment Management*	Hong Kong	US$100	US$100	80%	80%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2019: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2019	2018	2019	2018	
Sure Win Hong Kong Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Smarter Path Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Bliss Best Limited*	British Virgin Islands	-	US$1	-	100%	Investment holding
Heroic Sky Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Double Colour Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Apex Prestige Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Era Success Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Horizon Best Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Glorious Align Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Faithful Way Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Cozy Pony Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Right Goodness Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABC One Belt One Road Capital Investment Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Heroic Day Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Victorious Base Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Global Opportunities SPC*	Cayman Islands	US$100	US$100	100%	100%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2019: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2019	2018	2019	2018	
New China Innovation Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Wisdom Depot Investments Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Cloud Empire Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Abundant Favour Investments Limited*	British Virgiu Islands	US$1	US$1	100%	100%	Investment holding
Greater Merchant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Robust Knight Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Blue Swift Limited *	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Creation Knight Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investmeut holding
Enlightenment Rich Limited*	British Virgin Islands	US$1	US$1	100%	100%	Iuvestment holding
Clear Tide Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABC RMB Overseas Investment Fund GP*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
ABC RMB Overseas Investment Fund LP*	Cayman Islands	US$2	US$2	100%	100%	Investment holding
ACME Time Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Dynamic Move Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2019: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital		Proportion of nominal value of issued share capital held by the Group		Principal activities
		2019	2018	2019	2018	
Express Success Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Abundant Elegant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
ABCI Innovative Investment*	Cayman Islands	US$1	US$1	100%	100%	Investment holding
Ever Thriving Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Top Surge Investments Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Excel Merchant Limited*	British Virgin Islands	US$1	US$1	100%	100%	Investment holding
Start New Limited*	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
农银国际(中国)投资有限公司 (Formerly known as 农行国际投资咨询(北京)有限责任公司)	The People's Republic of China	RMB1,550,000,000	RMB1,550,000,000	100%	100%	Investment and financial consultancy
农银无锡投资咨询有限公司*	The People's Republic of China	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Investment holding and assets management
农银投（嘉兴）企业管理有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Investment and financial consultancy
农银国联无锡投资管理有限公司*	The People's Republic of China	RMB50,000,000	RMB50,000,000	70%	70%	Fund management
农银国际企业管理有限公司*	The People's Republic of China	RMB200,000,000	RMB200,000,000	100%	100%	Investment and financial consultancy
农银广德投资管理有限公司*	The People's Republic of China	RMB2,000,000	RMB2,000,000	100%	100%	Investment and financial consultancy
金穗(天津)投资管理有限公司*	The People's Republic of China	RMB3,000,000	RMB3,000,000	100%	100%	Investment and financial consultancy

34(b) Subsidiaries (Continued)

The following is a list of principal subsidiaries at 31 December 2019: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid capital 2019	Issued and fully paid capital 2018	Proportion of nominal value of issued share capital held by the Group 2019	Proportion of nominal value of issued share capital held by the Group 2018	Principal activities
农银国际（珠海横琴）投资基金管理有限公司 *	The People's Republic of China	RMB17,500,000	RMB17,500,000	100%	100%	Fund management
农银能投（北京）投资基金管理有限公司*	The People's Republic of China	RMB30,000,000	RMB30,000,000	100%	100%	Investment and financial consultancy
农银投资（嘉兴）有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Investment and financial consultancy
新余农银智盈投资管理合伙企业（有限合伙）*	The People's Republic of China	RMB150,100,000	RMB150,100,000	100%	100%	Investment and financial cousultancy
农银国际投资（苏州）有限公司 *	The People's Republic of China	RMB600,000,000	RMB600,000,000	100%	100%	Investment and financial consultancy
宁波农银投资管理有限公司*	The People's Republic of China	RMB2,000,000	RMB2,000,000	100%	100%	Investment and financial consultancy
农银金穗（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB28,000,000	RMB28,000,000	100%	100%	Investment and financial consnltancy
农银金鑫（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB10,000,000	RMB10,000,000	100%	100%	Investment and financial consultancy
农银启航（苏州工业园区）投资管理有限公司*	The People's Republic of China	RMB2,500,000	RMB2,500,000	100%	100%	Investment and financial consultancy
农银国际(湖南)投资管理有限公司*	The People's Republic of China	RMB10,000,000	RMB10,000,000	51%	51%	Investment and financial consultancy
广德农银铁路发展投资管理有限公司*	The People's Republic of China	RMB1,000,000	RMB1,000,000	100%	100%	Fund management
农银前海(深圳)投资基金管理有限公司*	The People's Republic of China	RMB100,000,000	RMB100,000,000	100%	100%	Fund management
新余农银稳盈投资管理合伙企业（有限合伙）*	The People's Republic of China	RMB69,000,000	RMB69,000,000	100%	100%	Fund management
农银创新(北京)投资有限公司*	The People's Republic of China	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Investment holding
农银湖北产业基金管理有限公司*	The People's Republic of China	RMB500,000	RMB500,000	100%	100%	Investment holding
新余农银隆发投资合伙企业（有限合伙）*	The People's Repnblic of China	RMB755,252,894	RMB755,252,894	100%	100%	Fund management

* The subsidiary is indirectly held by the Company.

The total non-controlling interest as at 31 December 2019 is HK$70,785,266 (2018: HK147,844,710).

Cash and short-term deposits of HK$410,873,376 (2018: HK$713,077,466) are held in PRC and subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

35 Investment in associates and joint ventures

Particulars of the Group's principal associates as at 31 December 2019 are as follows:

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2019	2018	2019	2018	
四川省宜宾五粮液集团财务有限公司	The People's Republic of China	19.5%	19.5%	28.6%	28.6%	Financing
中核产业基金管理(北京)有限公司	The People's Republic of China	33.3%	33.3%	40%	40%	Asset management
横琴金投租赁(香港)有限公司	Hong Kong	-	15%	-	20%	Leasing
新疆一带一路投资基金管理有限公司	The People's Republic of China	15.38%	15.38%	20%	20%	Asset management
杭州投农投资管理有限公司	The People's Republic of China	-	49%	-	40%	Investment management
新疆世纪嘉华股权投资合伙企业（有限合伙）(Formerly known as 新疆一带一路股权投资合伙企业)	The People's Republic of China	99%	99%	20%	20%	Investment management
新余北建工农银资产管理有限公司	The People's Republic of China	51%	51%	33%	33%	Investment management
浙江农银凤凰投资管理有限公司	The People's Republic of China	40%	40%	40%	40%	Investment management
农银无锡股权投资基金企业(有限合伙)	The People's Republic of China	53.23%	53.23%	80%	80%	Investment management
农银二号无锡股权投资中心(有限合伙)	The People's Republic of China	36.11%	36.11%	80%	80%	Investment management
融核产业发展基金(海盐)合伙企业(有限合伙)	The People's Republic of China	35.71%	35.71%	20%	20%	Investment management
信恩润实投资管理有限公司	The People's Republic of China	49%	49%	60%	60%	Investment management
铁建农银广德投资管理有限公司	The People's Republic of China	51%	51%	33%	33%	Investment management
成都农铁股权投资基金管理有限公司	The People's Republic of China	51%	51%	33%	33%	Asset management

35 Investment in associates and joint ventures (Continued)

Particulars of the Group's principal associates as at 31 December 2019 are as follows (Continued):

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2019	2018	2019	2018	
北京合敬中道科技产业投资合伙企业(有限合伙)(Note)	The People's Republic of China	2%	2%	2%	2%	Investment management
苏州工业园区睿律启教育投资合伙企业(有限合伙)	The People's Republic of China	24.9%	24.9%	24.9%	24.9%	Investment management

Note: The Group acts as a general partner of this investment which has significant influence.

Particulars of the Group's principal joint ventures as at 31 December 2019 are as follows:

Name of company	Place of incorporation and operation	Indirect Ownership interest		Proportion of voting power		Nature of business
		2019	2018	2019	2018	
北京城市副中心建设发展基金管理有限公司 (Formerly known as 北京市行政副中心建设发展基金管理有限公司)	The People's Republic of China	50%	50%	50%	50%	Asset management
铁建广德成长投资管理有限公司	The People's Republic of China	50%	50%	66.67%	66.67%	Investment management

All of these associates and joint ventures are accounted for under fair value measurement basis in these consolidated financial statements. The details of the fair value of the associates are disclosed in Note 21.

There is no significant restrictions on the ability of associates and joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the associates and joint ventures.

36 Structured entities

(a) Consolidated structured entities

Structured entities consolidated by the Group include certain funds managed and/or invested by the Group.

The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. As at 31 December 2019, the total assets of these consolidated structured entities were approximately HK$534 million (31 December 2018: approximately HK$801 million)

(b) Unconsolidated structured entities

The Group invested in certain structured entities, including investment funds, partnership investments and private equity investment with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests held by the Group in these structured entities are in the form of participating shares or interests which primarily provide the Group with the share of returns from the structured entities but not any decision making power nor any voting right to involve in and control the daily operation.

These structured entities are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the structured entities.

The directors considered the Group does not have control on the relevant activities of these unconsolidated structured entities so the Group did not consolidate these structured entities.

The Group invested in unconsolidated funds and trusts of which the size ranges from HK$11,164 to HK$2,492,112,000 each (2018: from HK$11,413 to HK$1,506,148,799 each). These investment funds mainly invested in listed and unlisted debt and equity securities, with a primary objective to provide the investors with capital appreciation and investment income.

The unfulfilled capital commitment to these funds by the Group was HK$72,562,460 (2018: HK$73,867,833) and the amount has been included in capital commitment in Note 33(b). For the year ended 31 December 2019 and 2018, the total income derived from involvement with unconsolidated structure entities is amounted to HK$186,423,656 and HK$267,643,456 respectively.

The Group classified its investment funds as financial assets at fair value through other comprehensive income, and financial assets designated at fair value through profit or loss as appropriate in Note 15 and Note 21.

37 Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$	Notes issued HK$	Financial assets sold under repurchase agreements HK$	Total HK$
At 1 January 2018	19,542,893,354	7,745,190,790	666,937,828	27,955,021,972
Financing cash flows				
Proceeds from borrowings	9,360,816,294	-	-	9,360,816,294
Repayment of borrowings	(12,827,108,296)	-	-	(12,827,108,296)
Proceeds from issuance	-	9,731,019,603	-	9,731,019,603
Issuing cost paid	-	(87,323,225)	-	(87,323,225)
Change in financial assets sold under repurchase agreement	-	-	(403,406,428)	(403,406,428)
Non-cash changes				
Exchange translation differences	(438,679,058)	(24,400,836)	(35,273,000)	(498,352,894)
Interest expenses	-	36,613,621	-	36,613,621
At 31 December 2018 and 1 January 2019	15,637,922,294	17,401,099,953	228,258,400	33,267,280,647
Financing cash flows				
Proceeds from borrowings	9,830,908,718	-	-	9,830,908,718
Repayment of borrowings	(11,431,961,155)	-	-	(11,431,961,155)
Repayment of senior notes	-	(3,893,925,000)	-	(3,893,925,000)
Change in financial assets sold under repurchase agreement	-	-	111,634,600	111,634,600
Non-cash changes				
Exchange translation differences	(168,308,503)	(301,817,148)	(4,989,200)	(475,114,851)
Interest expenses	-	206,224,002	-	206,224,002
At 31 December 2019	13,868,561,354	13,411,581,807	334,903,800	27,615,046,961

38 Subsequent Event

The COVID-19 outbreak since early 2020 has brought about uncertainties to the Group's business environment and its impact is expected to gradually unfold. The Group has been closely monitoring the impact of the developments on the Group's business and has introduced corresponding contingency and additional risk management measures for its principal risks. Whilst the circumstances of the COVID-19 outbreak has become pandemic and has continued to evolve around the world, an estimate of its financial impact to the Group at this stage may not be appropriate as it will be subject to material uncertainties under the current financial market conditions. The Group will continue to monitor the situation and will deploy additional strategy to mitigate the risks which the Group is facing.

ISSUER

Inventive Global Investments Limited
Vistra Corporate Service Centre, Wickhams Cay II
Road Town, Tortola VG 1110
British Virgin Islands

GUARANTOR

ABC International Holdings Limited
16/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ARRANGERS

ABCI Capital Limited
農銀國際融資有限公司
11/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Agricultural Bank of China Limited
Hong Kong Branch
25/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

DEALERS

ABCI Capital Limited
農銀國際融資有限公司
11/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Agricultural Bank of China Limited
Hong Kong Branch
25/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

FISCAL AGENT

Agricultural Bank of China Limited Hong Kong Branch
25/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ISSUING AND PAYING AGENT AND TRANSFER AGENT

Agricultural Bank of China Limited
Hong Kong Branch
25/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMU LODGING AND PAYING AGENT AND REGISTRAR

Agricultural Bank of China Limited
Hong Kong Branch
25/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

AUDITOR OF THE GUARANTOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISORS

To the Issuer and the Guarantor as to English law

Linklaters
11th Floor, Alexandra House
Chater Road, Central
Hong Kong

To the Issuer and the Guarantor as to PRC law

JunHe LLP
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005, P. R. China

To the Issuer and the Guarantor as to BVI law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Hong Kong

To the Arrangers and Dealers as to English law

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

To the Arrangers and Dealers as to PRC law

DeHeng Law Offices
12th Floor, Tower B, Focus Place
No.19 Finance Street, Xi Cheng District
Beijing, People's Republic of China

A.Plus International
FINANCIAL PRESS LIMITED
210880557