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The securities have not been, and will not be, registered under the U.S. Securities Act, or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities law.

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

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

NOTICE OF LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED

**U.S.\$500,000,000 1.250% Guaranteed Notes due 2024 (the “2024 Notes”)
(Stock Code: 40539)**

**U.S.\$300,000,000 1.875% Guaranteed Notes due 2026 (the “2026 Notes”)
(Stock Code: 40540)**

**U.S.\$400,000,000 2.500% Guaranteed Notes due 2028 (the “2028 Notes”)
(Stock Code: 40541)**

**U.S.\$800,000,000 3.000% Guaranteed Notes due 2031 (the “2031 Notes”,
together with the 2024 Notes, the 2026 Notes and the 2028 Notes, the “Notes”)
(Stock Code: 40542)**

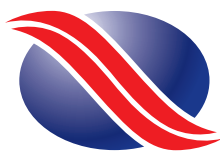
**issued under the US\$2,000,000,000 Medium Term Note Programme
(the “Programme”)**

by

China Cinda (2020) I Management Limited

(a BVI business company incorporated with limited liability in the British Virgin Islands)
(as “Issuer”)

unconditionally and irrevocably guaranteed by



China Cinda (HK) Holdings Company Limited

中國信達(香港)控股有限公司

(incorporated with limited liability in Hong Kong)

(as “Guarantor”)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China Limited Hong Kong Branch	ANZ	Bank of China	Bank of Communications	BNP PARIBAS	BofA Securities		
CCB International	China CITIC Bank International	China Construction Bank (Asia)	China Minsheng Banking Corp., Ltd., Hong Kong Branch	Cinda International	CMB International	DBS Bank Ltd.	Haitong International
Mizuho Securities			Nanyang Commercial Bank			Standard Chartered Bank	

Joint Bookrunners and Joint Lead Managers

China Galaxy International Securities (Hong Kong) Co. Ltd.	China International Capital Corporation	China Merchants Securities (HK)	China Securities International	CLSA	CMB Wing Lung Bank Limited	Credit Suisse	
Deutsche Bank	Dongxing Securities (Hong Kong)	Huarong International Securities	ICBC (Asia)	Morgan Stanley	Shanghai Pudong Development Bank Hong Kong Branch		

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

Please refer to the offering circular dated 7 January 2021 (the “**Offering Circular**”), the pricing supplement relating to the issue of the 2024 Notes dated 12 January 2021 (the “**2024 Notes Pricing Supplement**”), the pricing supplement relating to the issue of the 2026 Notes dated 12 January 2021 (the “**2026 Notes Pricing Supplement**”), the pricing supplement relating to the issue of the 2028 Notes dated 12 January 2021 (the “**2028 Notes Pricing Supplement**”) and the pricing supplement relating to the issue of the 2031 Notes dated 12 January 2021 (the “**2031 Notes Pricing Supplement**”, together with the 2024 Notes Pricing Supplement, the 2026 Notes Pricing Supplement and the 2028 Notes Pricing Supplement, the “**Pricing Supplements**”) appended herein in relation to the issue of the Notes. As disclosed in the Offering Circular and the Pricing Supplements, the Notes are intended for professional investors (as defined in Chapter 37 of the Listing Rules on the Hong Kong Stock Exchange) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular and the Pricing Supplements do not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular and the Pricing Supplements must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer or Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular and the Pricing Supplements.

Hong Kong, 21 January 2021

As at the date of this announcement, the directors of the Issuer are Mr. HUANG Qiang and Ms. CAO Ya Bing.

As at the date of this announcement, the directors of the Guarantor are Mr. LIANG Sen Lin, Mr. SHEN Jia Mu, Mr. SHEN Hong Pu, Mr. FENG Xing, Mr. YU Fan and Mr. HUANG Qiang.

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APPENDIX 1 – OFFERING CIRCULAR

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Circular (the “**Offering Circular**”). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

Confirmation of your Representation: You have accessed the attached document on the basis that you have confirmed your representation to the Dealers (as defined in the attached Offering Circular) that:

- (1) you are a non-U.S. person outside the United States and, to the extent you purchase the securities described in the attached Offering Circular you will be doing so outside the United States in an offshore transaction pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”); and
- (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Dealers, the Trustee or the Agents (each as defined in this Offering Circular) and any person who controls any of them nor any of their respective directors, employees, representatives, officers, agents, advisers or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **A hard copy version will be provided to you upon request.**

Restrictions: The attached Offering Circular is being furnished in connection with offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE 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 TO ANY ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSON. 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.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Guarantor of the securities or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

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, Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

You are reminded that you have accessed the attached Offering Circular 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 or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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

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

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



US\$2,000,000,000

Medium Term Note Programme
China Cinda (2020) I Management Limited

*(a BVI business company incorporated with limited liability in the British Virgin Islands)
unconditionally and irrevocably guaranteed by*

China Cinda (HK) Holdings Company Limited

(incorporated with limited liability in Hong Kong)

Under the US\$2,000,000,000 Medium Term Note Programme described in this Offering Circular (the “**Programme**”), China Cinda (2020) I Management Limited (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) unconditionally and irrevocably guaranteed (the “**Guarantee**”) by China Cinda (HK) Holdings Company Limited (the “**Guarantor**”). The Guarantor is a wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. (“**China Cinda**”). The Issuer is a wholly-owned subsidiary of the Guarantor and China Cinda.

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed US\$2,000,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to the Dealers specified under “Summary of the Programme” or any additional dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed 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 only (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”). This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and Guarantor 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 and Guarantor 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 or the Guarantor or quality of disclosure in this document. The 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 Offering Circular.

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 Series or Tranche (as defined in the “**Summary of the Programme**”) 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 Series or Tranche. This Offering Circular may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed and, if listed whether such listing will be, on the Hong Kong Stock Exchange or any other stock exchange.

Each Series of Notes in bearer form (“**Bearer Notes**”) will be represented on issue by a temporary global note (each a “**Temporary Global Note**”) or a permanent global note (each a “**Permanent Global Note**”), and will be sold to non-U.S. persons in an “offshore transaction” within the meaning of Regulation S (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes (together with the Temporary Global Notes, the “**Global Notes**”), or if so stated in the relevant Pricing Supplement, definitive Notes (“**Definitive Notes**”), on or after the Exchange Date (as defined herein), 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 Note”.

The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes and the Guarantee may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) or, in the case of Bearer Notes, offered, sold or delivered in the United States, or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended). For a description of certain restrictions on transfer, see “**Subscription and Sale**.”

The Programme has been assigned a rating of “A-” by Standard & Poor’s Ratings Services (“**S&P**”) and a rating of “A” by Fitch Ratings Ltd. (“**Fitch**”). In addition, the Guarantor has been assigned a rating of “A3” by Moody’s Investors Service, Inc. (“**Moody’s**”), a rating of “A-” by S&P and a rating of “A” by Fitch. These ratings are only correct as at the date of this Offering Circular. Tranches or Series of Notes (as defined in “**Summary of the Programme**”) to be issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

With respect to each Series or Tranche of the Notes, registration will be completed, or application to registration will be made, by the Issuer and the Guarantor in accordance with the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances issued by the National Development and Reform Commission (the “**NDRC Notice**”), as set forth in the applicable Pricing Supplement. After issuance of each Series or Tranche of the Notes, the Issuer and the Guarantor shall report the issuance information to the NDRC within 10 working days after the completion of each such issuance.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. See “Risk Factors” beginning on page 15 for a discussion of factors that you should consider carefully before investing in the Notes.

Joint Arrangers and Dealers

Agricultural Bank of China Limited Hong Kong Branch	ANZ	Bank of China	Bank of Communications	BNP PARIBAS	BofA Securities
CCB International	China CITIC Bank International	China Construction Bank (Asia)	China Minsheng Banking Corp., Ltd., Hong Kong Branch	Cinda International	CMB International
	Mizuho Securities		Nanyang Commercial Bank		DBS Bank Ltd.
				Standard Chartered Bank	Haitong International

The date of this Offering Circular is dated 7 January 2021.

IMPORTANT NOTICE

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. In addition, there may be legal restrictions on the distribution of this Offering Circular and the offering of the Notes in certain jurisdictions. If you come into possession of this Offering Circular, the Issuer, the Guarantor and Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, Bank of China Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BNP Paribas, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, CCB International Capital Limited, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Cinda International Capital Limited, CMB International Capital Limited, DBS Bank Ltd., Haitong International Securities Company Limited, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited and Standard Chartered Bank (the “Joint Arrangers” and “Dealers”) require that you inform yourself about and observe any such restrictions. The securities are being offered and sold to non-U.S. persons outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of securities and distribution of this Offering Circular, see “*Subscription and Sale*” in this Offering Circular.

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

This Offering Circular is solely for the purpose of enabling you to consider the purchase of the Notes. If you have any doubt about this Offering Circular, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. Each prospective investor will be deemed to acknowledge that it has not relied on the Arrangers, the Dealers (as defined below), China Construction Bank (Asia) Corporation Limited as trustee (the “**Trustee**”), as issuing and paying agent (the “**Issuing and Paying Agent**”), as CMU lodging and paying agent (the “**CMU Lodging and Paying Agent**”, together with the Issuing and Paying Agent, the “**Paying Agents**”) and as transfer agent (the “**Transfer Agent**”) and registrar (the “**Registrar**”, together with the Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents and Transfer Agent the “**Agents**”), any person who controls any of them and any of their respective directors, employees, representatives, officers, agents, advisers or affiliates in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision. In making an investment decision, each prospective investor must rely on its own examination of the Issuer, the Guarantor and the Group (the Guarantor and its subsidiaries) and the terms of the Notes, including, without limitation, the merits and risks involved. Each person receiving this Offering Circular is advised to read and understand the contents of this Offering Circular, including the financial statements and the related notes thereto, before investing in the Notes. The information contained in this Offering Circular has been provided and relied on other identified sources. The Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them and any of their respective directors, employees, representatives, officers, agents, advisers or affiliates have not independently verified any of the information contained in this Offering Circular and they make no representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this Offering Circular as a promise or representation by the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates accept any responsibility or liability in relation to information contained in this Offering Circular, statement made or purported to be made by any of the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates or on its behalf or any other information in connection with the Issuer, the Guarantor,

the Group, the Notes and the Guarantee. You should not reproduce or distribute this Offering Circular, in whole or in part, and should not disclose any contents or use any information in this Offering Circular for any purpose other than considering an investment in the Notes. None of the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates. By accepting delivery of this Offering Circular, you agree to these terms.

Each Series (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Notes” as amended and/or supplemented by the Pricing Supplement specific to such Series. 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 Series of Notes, must be read and construed together with the relevant Pricing Supplement.

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 and the Guarantor 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.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and must obtain any consents, approvals or permissions required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Guarantor, the Issuer, the Arrangers or the Dealers shall have any responsibility therefor. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or their affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

The Notes and the Guarantee have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation S under the Securities Act. Any Series of Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of Notes will be specified in the applicable Pricing Supplement for such Notes.

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, 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 (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (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.

IMPORTANT — UK RETAIL INVESTORS — If the Pricing Supplement in respect of any Notes includes a legend entitled “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 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. 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.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed US\$2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes, which may be outstanding 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 as defined under “*Subscription and Sale.*”

Solely for your convenience, this Offering Circular contains translations of certain Renminbi amounts into Hong Kong dollars and Hong Kong dollars into U.S. dollars at specified rates. Unless it is indicated otherwise, the translation of Hong Kong dollars into U.S. dollars has been made at the rate of US\$1.00 to HK\$7.7894, the noon buying rate in effect on 31 December 2019 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the “**Federal Reserve Board**”); and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.89578 to HK\$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on 31 December 2019. Further information on exchange rates is set forth in “Exchange Rate” in this Offering Circular. You should not construe these translations as representations that the Renminbi amounts have been, could have been or could actually be converted into any U.S. dollar or Hong Kong dollar amounts, or vice versa, as the case may be, or any Hong Kong dollar amounts have been, could have been or could be converted into any U.S. dollar amounts, or vice versa, at the rates indicated or at any rates or at all. Any discrepancies in any table or elsewhere in this Offering Circular between totals and sums of amounts listed herein are due to rounding.

The financial statements of the Guarantor are prepared and presented in accordance with Hong Kong Financial Reporting Standards, or HKFRS, as issued by the Hong Kong Institute of Certified Public Accountants, which differ in certain respects from accounting principles generally accepted in certain other countries.

The statistics and estimates set forth in this Offering Circular relating to the PRC and the industries in which the Group operates were taken or derived from various official or third party publications. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents, any person who controls any of them or any of their respective directors, employees, representatives, officers, agents, advisers or affiliates makes any representation as to the accuracy and reliability of such statistics and estimates, which may not be consistent with other information compiled within or outside the PRC. Due to possible inconsistent data collection and consolidation methods and other associated data collection difficulties, the statistics and estimates herein may be inaccurate and should not be unduly relied upon.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES, ANY OF THE DEALERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE PRICING SUPPLEMENT, MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AS A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

INFORMATION INCORPORATED BY REFERENCE

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

- (i) each relevant Pricing Supplement;
- (ii) all amendments and supplements from time to time to this Offering Circular; and
- (iii) any annual audited financial statements of Cinda HK 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.

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

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection upon prior written request and proof of holding to the satisfaction during usual business hours (being 9:00 a.m. to 3:00 p.m. (Hong Kong time)) on any weekday (Saturdays, Sundays and public holidays excepted) at the specified office of the Trustee (as defined under “*Summary of the Programme*”) set out at the end of this Offering Circular. In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

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FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding the Group's future financial position, its strategies, plans, objectives, goals, targets and future developments in the markets where the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Group's control, which may cause its actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievement expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. Important factors that could cause the Group's actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- the Group's ability to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industries and markets in which the Group operates;
- the Group's business prospects;
- the Group's capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- capital market development;
- the Group's dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant, governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the mainland Chinese and Hong Kong governments to manage economic growth;
- changes in the global economic conditions and material volatility in the global financial markets;
- volatility of the economies of Hong Kong and mainland China; and
- the impact of COVID-19 on economic conditions.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Offering Circular. The Group cautions you not to place undue reliance on these forward-looking statements, which reflect the Group's view only as at the date of this Offering Circular. The Group undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this section.

DEFINITIONS

CCAM	China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司)
China COSCO	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)
China Cinda	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
China Cinda (Macau)	China Cinda (Macau) Asset Management Company Limited (中國信達(澳門)資產管理有限公司)
Cinda (China) Investment	Cinda (China) Investments Company Limited (信達(中國)投資有限公司)
Cinda Financial Holding	Cinda Financial Holdings Co., Limited (信達金融控股有限公司)
Cinda HK or Guarantor	China Cinda (HK) Holdings Company Limited (中國信達(香港)控股有限公司)
Cinda Jinkong	Cinda Jinkong (Ningbo) Investment Management Company Limited (信達金控(寧波)投資管理有限公司)
Cinda Leasing (HK)	Cinda Leasing (HK) Co., Limited (信達租賃(香港)有限公司)
Cinda Securities	Cinda Securities Company Limited (信達證券股份有限公司)
Cinda Trust	Cinda Trust Investment Company Limited (原中國信達信託投資公司)
Hongma Investment	Hongma (Shanghai) Investment Management Co., Limited (弘馬(上海)投資管理有限公司)
Well Kent (Macau)	Well Kent International Holdings (Macau) Co., Ltd. (華建國際(澳門)有限公司)
Well Kent (Shenzhen)	Well Kent International Enterprises (Shenzhen) Co., Ltd. (華建國際實業(深圳)有限公司)
MOF	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
NCB	Nanyang Commercial Bank, Limited (南洋商業銀行)
Qianhai Well Kent	Shenzhen Qianhai Well Kent Equity Investment Co., Ltd. (深圳市前海華建股權投資有限公司)
SSF	National Council for Social Security Fund of the People's Republic of China (全國社會保險基金理事會)
Sino-Rock Investment	Sino-Rock Investment Management Company Limited (漢石投資管理有限公司)

SUMMARY

This summary does not contain all the information that may be important to you. You should read the entire Offering Circular, including “Risk Factors” and the financial statements and related notes thereto, before deciding to invest in the Securities.

OVERVIEW

China Cinda (HK) Holdings Company Limited (“**Cinda HK**” or the “**Guarantor**”), is a wholly-owned subsidiary of Cinda, a leading asset management company (“**AMC**”) in China. Cinda HK is the sole strategic offshore investing and financing platform of Cinda Group (China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (“**China Cinda**” or the “**Parent**”) and its subsidiaries). With a successful track record of more than 20 years, Cinda HK has swiftly achieved its strategic mission, linking Cinda Group with offshore capital markets and paving the way for oversea expansion. Cinda HK is also dedicated to maintaining and enhancing its position as Cinda Group’s overseas platform through consolidating and leveraging the distinct expertise and competitive strengths of its subsidiaries and affiliates, including NCB and CCAM and other financial institutions licensed for multiple lines of regulated financial activities.

Cinda HK, based on its strong support and indispensable position within Cinda Group, has become one of the most recognised offshore platform among the state-owned AMCs, proven by its credit rating of “A3”, “A-” and “A” from Moody’s, S&P and Fitch, respectively, and is the first offshore platform to receive the same issuer rating as its parent AMC from all three credit rating agencies. The strong support received from China Cinda includes not only liquidity support and credit enhancement but also management support as Cinda HK’s board directors and senior management are appointed by China Cinda which marks strong linkages between Cinda HK and China Cinda. Furthermore, Cinda HK also benefits from NCB’s robust standalone credit profile including adequate capitalisation, sound asset quality, solid liquidity profile and stable profitability.

Cinda HK’s main businesses include banking and non-banking business, and its non-banking business is composed of investment and financing segments. Most of Cinda HK’s revenue comes from its banking business, which is conducted through NCB. Earnings from investment business (including distressed asset related investment, liquidity management investment, and other investments) contribute to a large portion of Cinda HK’s non-banking segment revenue. Distressed assets related investment business is the core of Cinda HK’s investment business that lays a solid foundation for Cinda HK’s sustainable development. Under regulatory guidance of “Returning to the Fundamentals of AMC’s Business (回歸主業)”, Cinda HK actively pursues thematic distressed asset related investment opportunities. Serving as a bridge between China Cinda and overseas distressed asset markets, Cinda HK proactively delivers cross-border solutions to China Cinda and provides it with channels to identify potential investment targets and strategic partners. Through assets acquisition, debt tenor structure adjustment, non-cash repayment, debt-to-equity swap(s) and other restructuring approaches, Cinda HK revitalises the value of distressed assets and realises the investment profits.

Cinda HK possesses a diversified client base in terms of geographical distribution of investment portfolio, industry coverage and investment products. Cinda HK has expanded its global footprint from mainland China, Hong Kong and other “Belt and Road Initiative” countries. As at 31 December 2019, the investments in Hong Kong, mainland of China and other areas account for 36 per cent., 32 per cent. and 32 per cent., respectively of the total investments made by Cinda HK in its non-banking segment.

Leveraging on the strong support and unparalleled resources of China Cinda, Cinda HK will continue to improve the quality of its service to strengthen its market position in Hong Kong and mainland China. It strives to increase the synergic effect both among its own business units and with China Cinda and continues to seek new development opportunities.

COMPETITIVE STRENGTHS

The Cinda HK believes that the competitive strengths set out below differentiate it from other industry participants and have enabled it to complete effectively and seize growth opportunities.

- Cinda HK is a leading overseas platform among the large AMCs.
- Cinda HK has strong support from China Cinda.
- Cinda HK is an indispensable investment and financing strategy platform.
- Cinda HK has continuously expanded its financing channels, secured long-term and stable sources of financing and actively explored the business model of a balanced investment portfolio.
- Cinda HK has a robust and comprehensive risk management system and has continuously strengthened its risk management culture.
- Cinda HK has an entrepreneurial and visionary management team.

STRATEGIES

Cinda HK focuses on distressed assets related investment business under the principle of “Returning to the Fundamentals of AMC’s Business (回歸主業)” which lays a solid foundation for Cinda HK’s other business. Cinda HK expands and strengthens business development with a focus on distressed asset management. On the other hand, it further leverages its expertise, highlighting the “Three Platforms”, the overseas investment platform of China Cinda, overseas financing platform and overseas asset management platform of Cinda Group.

RECENT DEVELOPMENTS

The recent developments of the Group since 31 December 2019 are set forth below:

Financial Performance for the six months ended 30 June 2020

For the six months ended 30 June 2020, Cinda HK has experienced a decrease in terms of net profit by more than 80 per cent. as compared to the same period in 2019, mainly due to reduction of net interest income and reduction of the fair value of investments and the corresponding impairment made to certain investments as a result of the volatile economy in Hong Kong and mainland China and the adverse impact of COVID-19 on the economic conditions, the credit quality of Cinda HK’s investment and Cinda HK’s business operation. In particular, Cinda HK holds certain investments relating to the hotel industry, the market value of which has been adversely affected by COVID-19. Cinda HK expects the reduction of the fair value of investments and the corresponding impairment will continue to have an effect but to a lesser extent on its financial results for the full year of 2020.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts for the six months ended 30 June 2020, which have not been audited or reviewed by Cinda HK’s auditor, and may be subject to amendments. None of the Dealers, the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the business, financial condition or results of operation of Cinda HK.

As at 30 June 2020, NCB’s total consolidated assets, gross advances to customers and deposits from customers were HK\$472,165.53 million, HK\$265,497.67 million and HK\$342,331.51 million, respectively. For the six months ended 30 June 2019 and 2020, NCB’s profit after tax was HK\$2,102.36 million and HK\$2,407.52 million, respectively. As at 30 June 2020, NCB’s total capital adequacy ratio was approximately 20.00 per cent., and its loan to deposit ratio was approximately 77.56 per cent. For the six months ended 30 June 2019 and 2020, the average value of NCB’s quarterly liquidity coverage ratio was 154.16 per cent. and 150.00 per cent., respectively; its annualised return on average assets was 0.84 per cent. and 1.00 per cent., respectively; and its annualised return on average equity was 8.38 per cent. and 9.01 per cent., respectively.

As at 30 June 2020, NCB offered a broad range of banking and related financial services in Hong Kong through a network of 43 branches strategically located to provide coverage for the core districts on Hong Kong Island, Kowloon and the New Territories. In terms of NCB's operations in mainland China, NCB had in total 37 branches/sub-branches in the PRC as at 30 June 2020.

Impact of COVID-19

The outbreak of COVID-19 and the resulting impact on financial market have had adverse impact on Cinda HK's financial performance. In the first half of 2020, both in China and globally, business activities were delayed or largely suspended, which created high uncertainties and volatilities in the financial markets. The market value of assets and trading of the stocks and bonds in the secondary market were adversely affected. Various restrictions caused by the pandemic and the economic conditions posed challenges to Cinda HK to sustain financial growth. As the COVID-19 situation has alleviated in mainland China, Cinda HK has seen a recovery of its regular business activities since the second half of 2020. The secondary market has also seen a recovery from its first quarter performance. Cinda HK does not expect material effect on its operating cash flow. It is of the view that its overall financial and business positions remain sustainable. However, due to the ongoing impact of COVID-19, Cinda HK expects the COVID-19 pandemic to have an adverse impact on its overall financial performance for the full year of 2020.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts for the six months ended 30 June 2020, which have not been audited or reviewed by Cinda HK's auditor, and may be subject to amendments. None of the Dealers, the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the business, financial condition or results of operation of Cinda HK.

In the face of the COVID-19 outbreak and complex macro-political and economic environment both domestically in the PRC and internationally, Cinda HK will leverage its competitive strengths to actively expand its rich and diversified financing channels, fully utilises its established close strategic and cooperative partnerships, and further strengthen its relationships with the onshore and offshore major financial institutions to keep its competitive position. Cinda HK will also actively facilitate the relief measures rolled out by the PRC government and the Hong Kong government during the pandemic, overcome difficulties and contain the pandemic. Cinda HK will continue to manage its business operations during the pandemic, and closely monitor and reduce the impact of the pandemic on customers and its investment.

Acquisition of Zhongchang International Holdings Group Limited ("Zhongchang International")

On 18 October 2019, CCAM acquired a 74.98% interest in Zhongchang International, a Bermuda incorporated company listed on the Hong Kong Stock Exchange. Zhongchang International is engaged in property leasing and development, and provision of property management services. The acquisition was made for the reason of an enforcement action taken by CCAM in connection with a HK\$700 million loan facility made by CCAM to the immediate holding company of Zhongchang International as the borrower. Due to the continued occurrence of certain events of defaults of the borrower, CCAM, as the lender and the security agent under the abovementioned facility, took enforcement action on 18 October 2019 in accordance with the terms of a share mortgage over 843,585,747 shares in Zhongchang International, representing approximately 74.98% of the total shares of Zhongchang International then issued. Since the acquisition, HK\$6,790,000 of revenue and HK\$48,185,000 of loss after tax of the acquiree were included in the Guarantor's consolidated statement of profit or loss for the year ended 31 December 2019. For more information on the financial effects of the acquisition, please refer to note 49 of the consolidated financial statements of the Guarantor as of and for the year ended 31 December 2019.

As at 30 June 2020, CCAM held 86.13% interest in Zhongchang International.

SELECTED FINANCIAL INFORMATION

The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018 and 2019 as set forth below is extracted from the Guarantor's consolidated financial statements for the year ended 31 December 2019, which have been audited by Ernst & Young in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited or reviewed consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. The Guarantor's historical consolidated financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December	
	2018	2019
	HK\$'000	HK\$'000
Interest income	12,068,638	12,434,507
Net gains on financial assets at fair value through profit or loss	3,841,836	3,417,946
Investment income	2,526,433	3,740,209
Commission and fee income	2,025,447	1,795,924
Other income and gains/(losses), net	(11,942)	722,765
	<u>20,450,412</u>	<u>22,111,351</u>
Interest expense	(12,775,125)	(14,486,356)
Commission and fee expense	(320,908)	(121,912)
Other operating expenses	(3,857,965)	(4,036,376)
Impairment losses	(1,657,606)	(1,840,321)
	<u>(18,611,604)</u>	<u>(20,484,965)</u>
Profit before share of results of associates and joint ventures, and tax	1,838,808	1,626,386
Share of results of associates and joint ventures	1,383,291	810,975
Profit before tax	3,222,099	2,437,361
Income tax expense	(875,235)	(703,195)
Profit for the year	<u>2,346,864</u>	<u>1,734,166</u>
Profit/(loss) attributable to:		
Equity holders of the Company	1,844,557	1,314,585
Other equity instruments issued by a subsidiary	470,121	470,319
Non-controlling interests	32,186	(50,738)
	<u>2,346,864</u>	<u>1,734,166</u>
Profit for the year	<u>2,346,864</u>	<u>1,734,166</u>
Other comprehensive income/(loss) for the year:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment, net of tax	82,132	108,603
Actuarial losses on remeasurement of defined benefit plan, net of tax	(6,012)	—
Net gains arising from fair value changes of equity instruments classified as financial assets at fair value through other comprehensive income, net of tax	4,933	(669)
	<u>81,053</u>	<u>107,934</u>

	Year ended 31 December	
	2018	2019
	HK\$'000	HK\$'000
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(1,242,363)	(949,308)
Net gains arising from fair value changes of debt instruments classified as financial assets at fair value through other comprehensive income, net of tax	413,296	469,420
Reclassification of investment revaluation reserve arising from impairment on financial assets at fair value through other comprehensive income.	170,395	11,159
Reclassification of investment revaluation reserve arising from disposal of financial assets at fair value through other comprehensive income.	(57,875)	(186,219)
Share of associates' investment revaluation reserve.	(190,320)	100,390
	<u>(906,867)</u>	<u>(554,558)</u>
Other comprehensive loss for the year, net of tax	(825,814)	(446,624)
Total comprehensive income for the year	<u>1,521,050</u>	<u>1,287,542</u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,018,743	866,567
Other equity instruments issued by a subsidiary	470,121	470,319
Non-controlling interests	32,186	(49,344)
	<u>1,521,050</u>	<u>1,287,542</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2018	2019
	HK\$'000	HK\$'000
ASSETS		
Cash and balances with central banks	18,998,984	21,207,937
Deposits with banks and financial institutions	40,009,394	23,889,236
Placements with banks and financial institutions	21,080,229	12,449,820
Financial investments	174,475,235	203,440,296
Trade receivables from brokerage activities and disposal of investments	1,437,196	1,019,919
Loans and advances to customers	275,613,751	286,507,505
Loans granted under repurchase agreements	5,842,383	—
Interests in associates and joint ventures	13,781,610	11,930,408
Investment properties	525,650	2,465,584
Property, plant and equipment	9,748,396	15,405,620
Inventory	—	842,515
Intangible assets	4,590,607	4,486,629
Goodwill	25,964,206	25,851,817
Deferred tax assets	229,694	479,040
Other assets	4,540,254	13,930,367
	596,837,589	623,906,693
LIABILITIES		
Borrowings from central bank	—	27,687
Bank and other borrowings	54,526,936	58,036,809
Placements from banks and financial institutions	19,848,177	13,593,036
Financial liabilities at fair value through profit or loss	5,738,118	5,635,663
Financial assets sold under repurchase agreements	6,818,093	16,098,446
Accounts payable	1,364,688	3,213,568
Tax payable	738,372	1,109,065
Bonds issued	98,774,072	104,589,529
Due to customers	326,969,677	341,885,565
Deposits from banks and financial institutions	27,559,903	17,669,666
Deferred tax liabilities	1,660,948	1,735,868
Other liabilities	8,874,896	15,363,344
	552,873,880	578,958,246
EQUITY		
Share capital	24,975,487	24,975,487
Retained earnings	8,464,218	9,513,615
Reserves	518,914	322,924
Equity attributable to equity holders of the Company	33,958,619	34,812,026
Other equity instruments issued by a subsidiary	9,314,890	9,314,890
Non-controlling interests	690,200	821,531
TOTAL EQUITY	43,963,709	44,948,447
TOTAL EQUITY AND LIABILITIES	596,837,589	623,906,693

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Forms of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Under the Programme, the Issuer may, from time to time, issue Notes denominated in U.S. dollars, Euros or in any other currency, subject to the terms more fully set forth herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed upon by and between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set forth in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “Forms of Notes” below.

Issuer	China Cinda (2020) I Management Limited
Guarantor	China Cinda (HK) Holdings Company Limited
Joint Arrangers and Dealers	Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, Bank of China Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BNP Paribas, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, CCB International Capital Limited, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Cinda International Capital Limited, CMB International Capital Limited, DBS Bank Ltd., Haitong International Securities Company Limited, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited and Standard Chartered Bank
Trustee	China Construction Bank (Asia) Corporation Limited
Issuing and Paying Agent	China Construction Bank (Asia) Corporation Limited
Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited
CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited
Programme Size	Up to US\$2,000,000,000 (or the equivalent in any other currency at the date of issue (the “ Programme Limit ”)) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the amount of the Programme Limit in accordance with the terms of the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restriction applicable at the date of this Offering Circular.

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 (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*”.

Method of Issue

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the Issue Price), the Notes of each Series being intended to be fungible with all other Notes of that Series. Each Series may be issued in tranches (each, a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the relevant Pricing Supplement.

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes

The Notes will be issued in bearer or registered form as described in “*Form of the Notes*”. Bearer Notes will not be exchangeable for Registered Notes, and Registered Notes will not be exchangeable for Bearer Notes, and vice versa.

A 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.

A Tranche of Registered Notes will initially be represented by a Global Certificate.

Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.

Clearing Systems

Euroclear, Clearstream, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes

On or before the issue date for a Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depository for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor, the relevant Dealer(s) and the Principal Paying Agent.

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor, the relevant Dealer(s) and the Principal Paying Agent.

Specified Denomination

Notes will be in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (see "*Certain Restrictions*" above).

Fixed Rate Notes

Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as set out in the Terms and Conditions of the Notes and the relevant Pricing Supplement.

Benchmark Event

If the Issuer or its designee determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) as specified in the relevant Pricing Supplement remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with the Conditions and, in either case, an Adjustment Spread if any, and any Benchmark Amendments in accordance with the Conditions).

Zero Coupon Notes

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

Dual Currency Notes

Payments in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.

Index Linked Notes

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Pricing Supplement.

Redemption

The relevant Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.

Redemption by Instalments

The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Optional Redemption

The Pricing Supplement issued in respect of each issue of the Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer and the Guarantor (either in whole or in part) and/or the Holders, and if so the terms applicable to such redemption.

Redemption upon a Change of Control Triggering Event

Unless previously redeemed under Condition 6 (*Redemption, Purchase and Options*) of the Terms and Conditions of the Notes, upon a Change of Control Triggering Event, the Issuer will be required to make an offer to redeem all of the Notes at a price in cash equal to the 101 per cent. of the principal amount of the Notes repurchased, plus accrued and unpaid interest (if any) on the principal amount of Notes being repurchased to but excluding the date of repurchase.

Redemption for Taxation Reasons The Notes may be redeemed at the option of the Issuer in whole, but not in part, upon notice as described in the Terms and Conditions of the Notes, at their Early Redemption Amount (together with interest accrued (if any) to the date fixed for redemption and Additional Amounts, in the event the Issuer or, as the case may be, the Guarantor becomes obligated to pay Additional Amounts in respect of the Notes of that series or, the Guarantee as a result of certain changes in tax law. See “*Terms and Conditions of the Notes — Redemption — Redemption for Taxation Reasons.*”

Trust Deed The Issuer, the Guarantor and the Trustee had entered into a trust deed on 7 January 2021 for each Series of the Notes (as amended and supplemented from time to time, the “**Trust Deed**”).

Taxation All payments of principal, premium and interest in respect of the Notes, the Receipts and the Coupons or under the Guarantee will be made free and clear of, and without withholding or deduction for, or on account of, any Taxes of the British Virgin Islands, Hong Kong or the PRC or a Relevant Taxing Jurisdiction, unless required by law to be withheld or deducted.

In the event that withholding of British Virgin Islands, Hong Kong or PRC Taxes is required in respect of payments pursuant to the Notes or the Guarantee, the Guarantor or Issuer, will, subject to certain exceptions, pay such Additional Amounts under the Notes as will result, after deduction or withholding of such taxes, in the payment of the amounts that would have been payable in respect of the Notes had no deduction or withholding been required. See “*Terms and Conditions of the Notes — Taxation*”

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

Status of the Guarantee The Guarantee will constitute the Guarantor’s direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations, and shall at all times rank at least *pari passu* with all of the Guarantor’s other present and future unconditional, unsubordinated and unsecured obligations, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Covenants

The Guarantor and the Issuer have covenanted, and upon the execution of the Trust Deed, the Guarantor will covenant in the Trust Deed, with certain exceptions, not to incur certain liens or consolidate, merge, sell or lease its assets substantially as an entirety unless certain conditions are satisfied. The Notes and the Trust Deed do not otherwise restrict or limit the Guarantor's or the Issuer's ability to incur additional indebtedness by itself or its subsidiaries or its ability to enter into transactions with, or to pay dividends or make other payments to, affiliates. See "*Terms and Conditions of the Notes — Negative Pledge and Other Covenants — Negative Pledge*" and "*— Limitation on Consolidation, Merger and Sale of Assets.*"

Events of Default

Certain events will permit acceleration of the principal of the Notes (together with all interest and additional amounts accrued and unpaid thereon). These events include default with respect to the payment of principal of, premium, if any, or interest on, the Notes. See "*Terms and Conditions of the Notes — Events of Default.*"

Ratings

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering materials in the United States, Hong Kong, Japan, PRC, Singapore, the EEA, the United Kingdom, Macau, Taiwan and British Virgin Islands, see "*Subscription and Sale.*"

In connection with the offering and sale of a particular Series of Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement.

Notes in bearer form will be issued in compliance with the D Rules unless (i) the applicable Pricing Supplement states that the Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c) (2) (i) (C) or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code (the "**C Rules**") or (ii) the Notes have a term of one year or less (taking into account any unilateral right to extend or rollover the term).

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

The Issuer will not register the Notes for resale under the Securities Act or the securities laws of any other jurisdiction or offer to exchange the Notes for registered Notes under the Securities Act or the securities laws of any other jurisdiction.

Listing

Application has been made to the Hong Kong Stock Exchange for permission to deal in and quotation of any Notes that may 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 by way of debt issues to Professional Investors only. There is no assurance that the application to the Hong Kong Stock Exchange for the listing of a particular Series will be approved. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued under the Programme. The relevant Pricing Supplement will state whether or not the Notes of a Series will be listed on any exchange(s) and, if so, on which exchange(s) the Notes are to be listed.

Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons, the Agency Agreement and the Guarantee will be governed by, and construed in accordance with, English law.

Legal Entity Identifier

Issuer: 549300ZIBIB6Z9RSNU64

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the businesses of Cinda HK and the industries in which Cinda HK operates together with all other information contained in this Offering Circular, including, in particular, the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Notes” or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to Cinda HK that are not currently known to the Issuer or the Guarantor or that they currently deem immaterial, may individually or cumulatively also have a material adverse effect on the businesses, prospects, results of operations and/or financial position of Cinda HK and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances.

RISKS RELATING TO CINDA HK’S OVERALL BUSINESS

Cinda HK is subject to risks related to fluctuations in the macroeconomic and market conditions.

Cinda HK’s business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, restriction on capital outflows, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors’ confidence and global financial markets. The United States and China have been involved in disputes over trade barriers that have escalated into a trade war between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. The two governments have entered into an initial phase one agreement to resolve the disputes on 15 January 2020 (the “**Phase One Agreement**”). However, there are uncertainties as to when and whether phase two negotiations will begin and whether the two governments will fulfil their respective obligations under the Phase One Agreement. The trade war between the United States and China has resulted in volatility in the financial markets around the world. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment rate, consumer confidence, declining asset values, capital market volatility and liquidity issues have resulted in adverse market conditions. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favoured the exit of the United Kingdom from the European Union (“**Brexit**”). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. To minimise the risks for firms and businesses the UK Government continues preparations (including the UK Government publishing further draft secondary legislation under powers provided in the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020)) to ensure that there is a functioning statute book at the end of the transition period. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. The on-going COVID-19 outbreak around the globe has resulted in increased travel restrictions and extended delay or suspension of some business activities in China and globally. Please refer to “*Risk Factors — Risks Relating to Cinda HK’s Overall Business — Cinda HK is subject to risks relating to natural disasters, epidemics, acts of war or terrorism or other factors beyond its control*”.

Although the structural transformation and development of the PRC, HK and global economy provide opportunities for Cinda HK's businesses, adverse financial or economic conditions could adversely affect its businesses, in particular:

- the value of Cinda HK's asset portfolio, including stocks, bonds and private equity investment, is closely correlated to monetary policies and credit supply, the performance of capital markets and the market price of commodities. Adverse economic and market conditions could negatively affect the value and returns on Cinda HK's financial assets and investments, which could reduce the value of its trading and investment positions, affect its profitability, limit its liquidity and reduce its opportunities to realize gains and exit from its investments;
- downturn in macroeconomic conditions and adverse market conditions in the PRC and globally may result in decline in trading volume and investment and financing activities, which could adversely affect the commission and fee income from Cinda HK's investment and financing business;
- unfavourable economic and market conditions may increase the risk of default in the margin loans Cinda HK provide to its customers; and
- adverse economic conditions could affect Cinda HK's ability to effectively deploy capital as well as its ability to raise new funds and attract new investments.

If the adverse financial and economic conditions continue, Cinda HK's business, financial position and results of operations could be materially and adversely affected.

Cinda HK's business operation is subject to market risk.

Cinda HK's investment business consists of investments in financial products such as equity and fixed-income securities. Cinda HK's equity and fixed-income securities business is exposed to risk arising from the fluctuation in the PRC, Hong Kong and global capital markets. The downturn of equity and fixed-income securities markets may result in a decrease of the unrealized gain of investment assets, unrealized or realized losses or impairment and a decrease in gains realized upon the disposal of such assets, any of which may have a material adverse effect on Cinda HK's business, financial condition, results of operations and prospects. For example, for the six months ended 30 June 2020, Cinda HK has experienced a decrease in terms of net profits as a result of, inter alia, the reduction of fair values of its financial assets. See the section entitled "Summary — Recent Development" in this Offering Circular. Should factors such as fluctuation in the capital markets, downturn of equity and fixed-income securities markets, market risk and credit risk exposure continue, Cinda HK's income and profit may fluctuate or decrease and Cinda HK's business may experience a decline in profitability or suffer losses. There is no assurance that Cinda HK will achieve, sustain or return to past levels of profitability in the future.

Certain portion of Cinda HK's assets, such as part of its financial investments, including financial assets at fair value through profit or loss, are valued at their fair value. As at 31 December 2019 and 31 December 2018, Cinda HK had financial assets at fair value through profit or loss amounting to HK\$56,267 million and HK\$55,548 million respectively. The fair value estimates of listed equities are based on quoted market prices while the private equities are based on judgments which involve the assessment of various factors and unobservable inputs in valuation models. The deteriorating market conditions may cause significant decrease in fair values of those financial assets which will have a material adverse impact on Cinda HK's results of operations.

Cinda HK's business operation is subject to credit risk.

Cinda HK's financial services are also subject to different credit risks, primarily from its banking business. Cinda HK's banking business is exposed to credit risk arising primarily from default by its borrowers or guarantors and is also subject to risks related to off-balance sheet credit related commitments. Cinda HK had outstanding loans of HK\$58,037 million and unused banking facility of HK\$6,648 million as at 31 December 2019. If there is any default by customers and guarantors of credit related commitments in respect of off-balance sheet businesses such as bank acceptance letter of credit and letters of guarantee, Cinda HK may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have a material adverse effect on its business, financial condition and results of operations.

Cinda HK is also exposed to credit risk with respect to its investments in proprietary trading activities and securities businesses, which are recorded as available-for-sale financial assets and held-to-maturity financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, Cinda HK may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If Cinda HK's credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types, or number of third parties, or if it fails to effectively manage its credit exposure through its risk management policies and procedures, the volatility of any negative impact of credit exposures could be magnified, and as a result, Cinda HK may experience significant financial losses that could materially and adversely affect Cinda HK's business, financial condition and results of operations.

Cinda HK's business operation is subject to liquidity risk.

Cinda HK's business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to its business operations. Currently, most of the funding requirement for Cinda HK's banking business are met through banking customers and interbank deposits. However, there are many factors affecting the growth of deposits for Cinda HK's banking business, some of which are beyond its control, such as economic and political conditions, the availability of alternative investment choices (including but not limited to securities issued by governmental or corporate entities, unit trusts and mutual funds, investment-linked assurance schemes and structured investment products), change of government monetary policies, and retail customers' changing perceptions toward savings. There can be no assurance that Cinda HK's banking business will be able to grow its customer deposits at a pace sufficient to support its expanding business. Any decline in Cinda HK's liquidity level may impair the confidence of its customers or counterparties, which may result in loss of business and customers.

As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorized institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 from HK\$100,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011 under the Deposit Protection Scheme (Amendment) Ordinance 2010. However, there can be no assurance that the level of customer deposits, and therefore of Cinda HK's liquidity, will not be adversely affected by the withdrawal of, or any changes to, the Deposit Protection Scheme in the future.

The Monetary Authority acts as the lender of last resort to all authorized institutions in Hong Kong to provide liquidity support in the banking system generally as well as to specific institutions. Although the Hong Kong government has in the past taken measures on a case-by-case basis to maintain or restore public confidence in individual banks with an isolated liquidity crisis, there can be no assurance that the Monetary Authority will provide such assistance in the future or that it would elect to provide such assistance in the future to Cinda HK in the event of a liquidity crisis.

If Cinda HK fails to maintain its expected growth rate in deposits or if a substantial portion of its depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the liquidity position, business, financial condition and results of operations of Cinda HK may be materially and adversely affected and Cinda HK may need to seek more expensive sources of funding to meet its funding requirements.

Cinda HK's business operation is subject to operational risk.

Cinda HK's business operations depend, to a large extent, on the proper operation of business, accounting and other data processing systems, and the proper handling of documents relating to the Group's business, finance and operation, by its staff. Cinda HK may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages). If its staff or electronic systems make any mistake in operating data processing systems or handling documents, Cinda HK may suffer from business disruption, financial loss, intervention by regulatory authorities and reputational loss.

Especially, Cinda HK's banking business depends a high volume of transactions upon automated systems to record and process those transactions. That may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. In addition to internal factors that may affect operations, the rapid growth and expansion of the banking business in recent years as compared to other banks may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

Although Cinda HK provides regular training on the management of operational risk to its staff and maintains a system of controls designed to reduce operational risks to a reasonably low level, it has suffered losses from operational risks and there can be no assurance that it will not suffer material losses from operational risks in the future. If any operational errors occur, Cinda HK may not be able to identify or rectify these operational errors and solve the problems caused thereby in a timely manner, or at all. Such problems may include failure to carry out the operation of key business, wrong execution or delay, impairing Cinda HK's ability to monitor and manage data or non-compliance with regulatory requirements. If Cinda HK cannot solve these problems in a timely manner, its business, financial condition and results of operations may be materially and adversely affected.

Cinda HK's risk management and internal control policies, procedures as well as the tools available to it, may not be adequate or effective in identifying or managing risks to which it is subject.

The complexity of Cinda HK's operations and products exposes it to various risks, including market risk, credit risk, operational risk, liquidity risk, compliance risk, legal risk and other risks. Cinda HK has established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products it offers and has been dedicated to continuously improving these systems and procedures. See the section entitled "*Description of the Guarantor — Internal Control and Risk Management*" in this Offering Circular. However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, are restricted by the information, tools, models and technologies available, and Cinda HK's systems may not be adequate or effective in identifying or mitigating its risk exposure in all market environments or protecting it against all types of risks. The risk management and internal control systems require constant monitoring, maintenance and continual improvements. Cinda HK's efforts to maintain these systems may be ineffective or inadequate.

The effectiveness of Cinda HK's risk management and internal control systems and procedures may also be adversely affected by misjudgment, clerical mishandling and errors, reporting errors or limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of Cinda HK's methods for managing risk exposure are based upon observed historical market behaviour or data. Future risk exposure can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that Cinda HK relies on may quickly become obsolete as a result of market and regulatory developments, and its historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

In addition, financial institutions typically use various financial instruments to manage risks associated with their businesses. The current state of the financial markets and laws and regulations in the PRC and Hong Kong restrict the types of financial instruments China Cinda and Cinda HK may use to mitigate or hedge different risks. Although Cinda HK are not directly regulated by the PRC authorities, it has established a prudent risk management system that is in line with the risk management policies of China Cinda. Therefore, the risk management tools available to Cinda HK are limited, which in turn limits its risk management capability and effectiveness. As a result, Cinda HK may be unable to take timely and appropriate measures to manage its risks due to the ineffectiveness of risk management methods and techniques adopted by it.

There is no assurance that the risk management and internal control systems of Cinda HK are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations, disciplinary actions or even prosecution being taken against it or its employees, or disruption to its risk management system, any of which may have a material adverse effect on Cinda HK's business, financial condition and results of operations.

Cinda HK faces intense competition and may not compete effectively.

Cinda HK primarily operates in the PRC and Hong Kong, where the financial services industry is highly competitive. Cinda HK mainly competes with non-banking financial institutions and alternative investment companies in the relevant markets. Cinda HK competes with its competitors in terms of brand recognition, marketing and sales capabilities, service quality, financial strength, product and services portfolio, and pricing. There is no assurance that Cinda HK is able to acquire investments and assets at suitable prices, or at all, under the intensified competition. When providing asset management services, Cinda HK monitors the product prices offered by its competitors in each respective area and adjusts its commission fees and fee structure to increase its competitiveness. With the intensifying market competition, competitors may reduce their prices to improve their market share, which may compel Cinda HK to further reduce its fees to remain competitive.

Some of its competitors may have certain competitive advantages over Cinda HK, including greater financial resources, stronger brand recognition, a broader range of products and services, more extensive operating experience, higher market share and a more extensive network. In addition, some of Cinda HK's competitors may have more extensive knowledge, business relationships and/or a longer operational track record in the relevant geographic markets, which enable them to have a better access to potential clients and capital resources than Cinda HK does.

There is no assurance that Cinda HK can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that Cinda HK's business objectives would become impractical or impossible. If Cinda HK cannot compete effectively, its business, financial condition and results of operations will be materially and adversely affected.

Cinda HK is highly dependent upon the services of key management personnel.

The success of Cinda HK's business, to a large extent, depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, experienced investment managers, banking and finance professionals, product development personnel, professional staff in the distressed debt assets industry, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, Cinda HK devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive, and Cinda HK faces increasing competition in recruiting and retaining these individuals as other asset management companies and financial institutions are vying for the same pool of talent. Cinda HK's business and financial condition could suffer if it is unable to retain its management team, including Cinda HK's senior management and operating management, and other high-quality personnel, including Cinda HK's management in the business, banking, finance, investment and IT departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, Cinda HK may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

Some of Cinda HK's key employees are subject to non-compete arrangements. However, Cinda HK cannot ensure that such arrangements can be fully and legally enforced. If any of its senior management or other key personnel joins or establishes a competing business, Cinda HK may lose some of its customers, which may have a material adverse effect on its business, financial condition and results of operations.

Cinda HK is subject to risks of inadequacies in or failures of its IT systems.

Cinda HK's business operations depend heavily on its business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose it to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of Cinda HK's business processing, accounting, financial controls, risk management, customer service and other business depends on its IT systems and communication networks with third-party service providers. If the fundamental system which supports Cinda HK's business suffers from malfunction or disruption, including system problems or communication disruption of its systems or the systems of any third parties it engaged, it may have a material adverse effect on Cinda HK's ongoing

business. These failures could be caused by, among other things, hardware failure, software programme errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond Cinda HK's control. Although Cinda HK backs up business data regularly and established same-city disaster recovery backup, any prolonged disruption to or malfunction in the operation of its IT systems could limit its ability to monitor and manage data, control financial and operation conditions, monitor and manage its risk exposures, keep accurate records, provide high-quality customer service and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate Cinda HK's losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify its losses.

In addition, Cinda HK provides online financial services such as securities and futures brokerage services to customers. Disruption to or instability of its online financial services platform or mobile service platform could impair its ability to serve customers and execute trades on their behalf and on its own account, which could materially and adversely affect its results of operations and reputation.

Cinda HK updates its IT systems and introduce new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not achieve the anticipated processing capacity and availability and may not meet the needs of its business growth in the future. Cinda HK's failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in its inability to perform, or delays in performing, critical business operational functions, the loss of key business data, or failure to comply with regulatory requirements, which could have a material adverse effect on Cinda HK's business, financial condition and results of operations.

Cinda HK had net cash outflows from operating activities in the year ended 31 December 2019. It may continue to experience cash outflows from operating activities and, as a result, it may need to obtain additional funding from other sources in the future.

Cinda HK had net cash outflows from operating activities of HK\$16,108 million for the year ended 31 December 2019, and it may have net cash outflow from operating activities in the future. Cinda HK had cash outflows from operating activities primarily due to cash paid to acquire financial assets at fair value through profit or loss and other financial investments, increase in loans and advances made to customers, and decrease in deposits from banks and financial institutions. Net cash outflows used in Cinda HK's operating activities may harm its ability to expand operations and make additional capital expenditures. Cinda HK may need to obtain external financing to satisfy its financial needs and repay debts. In case Cinda HK is unable to repay the debts and interests as scheduled, its creditors may accelerate repayment of the relevant debts. Cinda HK may not be able to achieve or sustain positive cash flows from operating activities, and even if it achieves positive operating cash flows, such cash inflows may not be sufficient to satisfy its anticipated capital expenditures and other cash needs.

Cinda HK have financed its operations and other funding requirements primarily with borrowings from banks and shareholders and proceeds from issuing bonds. As at 31 December 2019, Cinda HK had HK\$57,547 million in cash and cash equivalents. Cinda HK may need to raise additional funding for its continuing operations. There is no assurance that additional funds will be available on acceptable terms, or at all. And a shortage of cash may materially and adversely affect Cinda HK's business, financial condition and results of operations.

Cinda HK may fail to manage challenges arising during its growth.

Cinda HK's efforts to integrate various business operations and coordinate among its branches and subsidiaries may not be effective or timely. In addition, there is no assurance that such growth will continue in the future. The expansion of Cinda HK's business activities poses various challenges, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy relevant capital regulatory requirements, such as the minimum capital adequacy ratio, as well as other capital needs;
- strengthening Cinda HK's risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;

- managing Cinda HK's AUMs, distressed debt assets and other financial assets;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for Cinda HK's products and services; and
- maintaining and developing Cinda HK's brand and reputation.

Cinda HK's investments, acquisitions and business initiatives may expose it to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from its existing businesses and technologies, potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If Cinda HK is not able to manage future growth successfully, its business, financial condition, results of operations and prospects could be materially and adversely affected.

Expansion of Cinda HK's offerings of products and services may expose it to challenges and risks.

Cinda HK has recently been expanding its financial services, including securities and futures, fund management, and banking, and will continue to, as permitted by the regulatory authorities, expand its offerings of products and services. These new businesses may have different operational parameters and risk profiles as compared to its more established existing businesses, and Cinda HK may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks.

These new businesses may expose Cinda HK to challenges and risks, including but not limited to:

- insufficient experience, expertise and skills in offering new products and services and dealing with new counterparties and customers;
- stricter regulation and increased credit risks, market risks and operational risks;
- failure to achieve investment returns from Cinda HK's new businesses;
- failure to hire sufficient qualified personnel to support the offering of new products and services;
- lack of market and customer acceptance of Cinda HK's new products and services;
- failure to make accurate analysis or judgment on market conditions of Cinda HK's new business;
- failure to obtain sufficient financing from internal and external sources to support Cinda HK's business expansion; and
- failure to enhance Cinda HK's risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of products and services.

If Cinda HK is unable to achieve the expected results with respect to the offering of new products and services, its business, financial condition, results of operations and prospects could be adversely affected.

Cinda HK is subject to extensive regulatory requirements and the non-compliance with the applicable regulatory requirements may result in penalties.

Cinda HK is subject to various regulations primarily by the PRC and Hong Kong regulatory authorities and it may be subject to regulatory proceedings from time to time.

Cinda HK's financial services are subject to the supervision of various authorities, including the SFC in Hong Kong and the CBIRC, the CSRC and the PBOC in the PRC. Cinda HK's banking business carried out by NCB is subject to supervision by the HKMA in Hong Kong and the CBIRC and the PBOC in the PRC. Cinda HK's distressed asset management business is subject to the supervision of the MOF and the CBIRC. These regulatory authorities impose requirements on Cinda HK's businesses in various aspects,

including capital adequacy, capital deposits, financial leverage ratios and deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolio, as well as the number and locations of branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict Cinda HK's business activities and require it to incur increased expenses, restate or write down the value of its assets or liabilities, and devote considerable time and resources to such compliance.

Cinda HK is subject to periodic and non-periodic inspections and examinations by the HKSE, the SFC, the CBIRC, the CSRC, the PBOC and other governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of Cinda HK's compliance with the laws and regulations of jurisdictions where it operates.

Cinda HK may not always be able to meet all applicable regulatory requirements or comply with all applicable regulations or guidelines, and it cannot ensure that the results of the regular and special inspections by the MOF or other regulatory authorities will not have any adverse effect on it. Any non-compliance will result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of Cinda HK's regulatory rating and limitations or prohibitions on Cinda HK's future business activities, which may materially and adversely affect its reputation, business, financial condition and results of operations.

Cinda HK's acquisitions may not be successful.

In addition to organic growth, Cinda HK may also seek opportunities to expand through acquisition of products or services complementing its existing business operations. It may be unable to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. The investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant terms, disclosure documents and other instruments will usually require substantial time and attention from its management and may incur substantial expenses for services provided by accountants, attorneys and other advisors. In addition, even if an agreement is reached relating to a specific acquisition or investment target, Cinda HK may end the investment or acquisition due to many factors beyond its control. If such acquisition or investment plan is not implemented, the costs incurred up to that point for the proposed transaction may not be recoverable. Furthermore, Cinda HK may not have sufficient capital resources to complete proposed acquisitions in the future. The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to realize the expected synergies, successfully incorporate the acquired businesses and assets into Cinda HK's existing operations or minimize any operational difficulties could have a material adverse effect on its business, financial condition and results of operations.

Cinda HK may not be able to achieve the anticipated intra-group synergies through its implementation of group management and control of its branches and subsidiaries.

Cinda HK conducts its principal businesses primarily through its subsidiaries in the PRC and Hong Kong. Certain of Cinda HK's subsidiaries also have other shareholders holding significant portions of equity interests in such subsidiaries and have a certain degree of management autonomy. For its significant subsidiary, NCB, although Cinda HK wholly owns it in an economic degree, NCB still has management autonomy. There is no assurance that strategies and policies of Cinda HK will be implemented effectively and consistently in each subsidiary and branch.

In addition, due to limitations in Cinda HK's information systems and other factors, it may not always be able to effectively detect or prevent operational or management issues at its subsidiaries and branches on a timely basis, and information available to and received by its management may not be accurate, timely or sufficient to manage risks and plan for and respond to market and other changes in its operating environment. If Cinda HK is unable to effectively manage and supervise its subsidiaries and branches or implement its strategies and policies consistently throughout its Group, its business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

Cinda HK has formulated certain strategies to achieve and enhance collaboration among various business lines and intra-group cooperation between its branches and subsidiaries to further enhance synergies. However, these strategies are still under development. There can be no assurances that Cinda HK will be able to fully develop or implement these strategies or that it will realize the anticipated benefits of these strategies. Implementation of these strategies could also be affected by a number of factors beyond its control, including operating difficulties, increased operating costs, regulatory developments, deterioration in general or local economic conditions or increased competition. In particular, the applicable PRC regulatory framework allows the regulatory authorities to oversee and inspect the cooperation within Cinda Group, and licenses may be required for certain activities. If the cooperation within Cinda Group is deemed a violation of any regulations in the PRC or other jurisdictions, Cinda HK's intra-group cooperation and collaboration may be adversely affected, and Cinda HK may be subject to relevant legal liabilities or administrative penalties, and Cinda HK's reputation may be harmed, all of which would have a material adverse effect on Cinda HK's business, financial condition, results of operations and prospects.

Cinda HK may not be able to detect money laundering, terrorism-funding, economic sanctioned and other illegal or improper activities in its business operations completely or on a timely basis.

Cinda HK is required to comply with applicable anti-money laundering laws, anti-terrorism laws, economic sanctions programmes and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. The United States, the United Kingdom, the European Union, the United Nations Security Council and other applicable jurisdictions also administer a range of anti-terrorism and economic sanctions programs, including broad embargoes against certain countries, such as Iran, Sudan and Syria, as well as targeted sanctions against terrorists, international narcotics traffickers and individuals engaged in activities related to the proliferation of weapons of mass destruction.

Cinda HK's existing policies and procedures for the detection and prevention of money laundering activities, terrorism-funding activities and economic sanctioned activities through its business platform have only been adopted in recent years and may not eliminate instances in which it may have been used by other parties to engage in money laundering or other illegal or improper activities. In the event that Cinda HK fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties. In addition, under the economic sanctions administered by the United States, penalties can potentially be imposed on non-U.S. persons under U.S. secondary sanctions for engaging in activities with sanctioned individuals, countries, regimes, and organisations, including loss of access to clearing U.S. dollar payments through a U.S. correspondent bank. There is no assurance that there will be no failures in detecting and preventing money laundering, terrorism funding, economic sanctioned or other illegal or improper activities which may materially and adversely affect Cinda HK's reputation, business, financial condition and results of operations and its ability to meet its obligations under the Notes.

Cinda HK may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties completely or in a timely manner.

Cinda HK may encounter fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by it and expose it to regulatory sanctions or penalties. Even if such fraud or misconduct does not result in any legal liabilities on Cinda HK's part, it could cause serious reputational or financial harm to it.

Cinda HK's internal control procedures are designed to monitor its operations and ensure overall compliance. However, Cinda HK's internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct. The precautions Cinda HK takes to detect and prevent such activities may not be fully effective. There is no assurance that fraud or other misconduct will not occur in the future. Any failure to detect and prevent fraud and other misconduct in a timely manner may have a material and adverse effect on Cinda HK's reputation, business, financial condition and results of operations.

Cinda HK may not be able to properly identify and deal with conflicts of interest.

As Cinda HK expands the scope of its businesses and client base, it becomes increasingly important to be able to address potential conflicts of interest, including situations where two or more interests within Cinda HK's businesses legitimately exist but are in competition or conflict. Cinda HK may encounter conflicts of interest where (i) Cinda HK's services to a particular client or its own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information Cinda HK obtains through business channels is disclosed to other business departments within it; and (iii) Cinda HK may be a counterparty of an entity to which it also provides financial services or with which it has other business relationships. Cinda HK's failure to prevent the imprudent use of information or manage conflicts of interest could harm its reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could materially and adversely affect Cinda HK's business, financial condition and results of operations.

Cinda HK may face lawsuits and arbitration, and it may not successfully defend itself in such legal proceedings.

Lawsuits and arbitration claim against Cinda HK may arise in the ordinary course of business. Litigation is inherently unpredictable, and excessive verdicts may occur. Where Cinda HK assesses that there is a probable risk of loss, it will make provisions for the loss based on the relevant policies. Cinda HK will also make provisions with respect to pending legal proceedings and other disputes against it. See the section entitled "Description of the Guarantor — Legal and Regulatory Proceedings" in this Offering Circular. However, there is no assurance that the judgments in any of the litigations in which Cinda HK are involved or will involve would be favourable to it or that Cinda HK's provisions made for the litigations are adequate to cover all the losses arising from legal proceedings or other disputes. In addition, if Cinda HK's assessment of the risk changes, its views on provisions will also be changed.

Cinda HK could in the future incur judgments or enter into settlements of claims. If it is unsuccessful in defending any legal proceeding, or unsuccessful in settling any legal proceeding on commercially reasonable terms, it may be liable to pay damages or face penalties or sanctions. The disruption of Cinda HK's business due to judgment, arbitration and legal proceedings against it or adverse adjudications in proceedings against Cinda HK's directors, senior management or key employees would have a material adverse effect on its reputation, business, financial condition, results of operations and prospects.

Cinda HK's overseas expansion may be subject to risks associated with relevant businesses.

Cinda HK may continue to expand its overseas business and explore opportunities in other overseas markets in the future. In expanding its business internationally, Cinda HK has entered and intend to continue to enter into markets in which it has limited or no operating experience. Therefore, Cinda HK may not be able to attract enough new clients due to its limited presence and brand recognition in such overseas markets and may fail to effectively compete in these markets. In addition, such expansion may increasingly subject it to risks inherent in conducting business internationally, including but not limited to:

- failure to obtain and renew local government approvals, permits, licenses or documents in a timely manner or at all;
- the possibility of cost overruns and other operating difficulties;
- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increase in labour costs;
- difficulties in complying with local legal and regulatory requirements, including labour, industrial and tax regulations;
- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, Cinda HK's products;
- high sales and marketing costs;

- difficulty in implementing internal control and risk management policies in overseas operations;
- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions;
- political, regulatory or macroeconomic environment and fluctuations in foreign exchange rates; and
- restriction on capital outflow imposed by the government.

If Cinda HK is unable to manage the risks resulting from its expansion outside the PRC and Hong Kong, its reputation, business, financial condition and results of operations may be materially and adversely affected.

Cinda HK is subject to risks relating to natural disasters, epidemics, acts of war or terrorism or other factors beyond its control.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond Cinda HK's control may adversely affect the economy, infrastructure and livelihood of the people in the regions Cinda HK conducts its business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, potential wars or terrorist attacks or are susceptible to epidemics, such as SARS, avian influenza, H5N1 influenza, H1N1 influenza or H7N9 influenza, or COVID-19. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt Cinda HK's business and operations. Acts of war or terrorism may also injure Cinda HK's employees, cause loss of lives, disrupt Cinda HK's business network and destroy Cinda HK's markets. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect economic systems and financial markets. There can be no guarantee that any future occurrence of natural disasters, outbreak of epidemics, or the measures taken by the government of Hong Kong, the PRC or other countries in response to a future outbreak of any epidemics, will not seriously interrupt Cinda HK's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

In particular, the outbreak of COVID-19 epidemic has resulted in increased travel restrictions and extended delay or suspension of some business activities in the PRC and globally, which may result in adverse impact on Cinda HK's businesses. There is no assurance that the outbreak will not lead to decreased demand for services that Cinda HK provides; nor is there assurance that the outbreak's adverse impact on the PRC economy or that NCB's customers in the PRC will not adversely affect the level of non-performance loans. The outbreak may also adversely affect the abilities of Cinda HK and NCB to keep normal operations and provide uninterrupted services to its customers. The COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and the global market and continue to cause increasing concerns over the prospects of the financial market in PRC and globally. Any of the foregoing may have a material and adverse effect on Cinda HK's business, financial condition and results of operations.

Certain facts, forecasts and statistical materials contained in this Offering Circular with respect to the PRC, Hong Kong and their economies and financial industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

Cinda HK has derived certain facts, forecasts and other statistical materials in this Offering Circular, relating to the PRC and Hong Kong, the PRC economy and the industry in which Cinda HK operates, including Cinda HK's market share information, from information provided by the PRC, Hong Kong and other government authorities, industry associations, independent research institutes or other third-party sources which are generally believed to be reliable. While Cinda HK has taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by it, the Arrangers and Dealers or any of its or their respective affiliates or advisors. Therefore, there is no assurance as to the accuracy and reliability of such facts, forecasts and materials, which may not be consistent with other information compiled inside or outside the PRC and Hong Kong and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed "Risk Factors" and "Description of the Guarantor". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistical

materials herein may be inaccurate or may not be comparable to statistical materials produced for other economies, and investors should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should not unduly rely on such facts, forecasts or statistical materials.

RISKS RELATING TO CINDA HK'S BANKING BUSINESS

Cinda HK's banking business is subject to concentration risk.

The Banking Ordinance generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25 per cent. of its capital base. In recent years, Cinda HK's subsidiary NCB, which engages primarily in banking business, has an exposure to its 10 largest borrowers (including groups of individuals and companies, excluding exposure to Cinda HK) consistently amounted to a substantial majority of its capital base, even though it has not had exposure to any single person or group of connected persons in excess of 25 per cent. of its capital base. In addition, NCB also faces the risks of geography concentration, as substantially all of its operations are in the PRC and Hong Kong. Such concentration exposes NCB, in turn Cinda HK, to concentration risk and its business may therefore be significantly impacted by any adverse event affecting the banking industry in the PRC or Hong Kong, or even globally in general, and adverse event affecting its largest customers, which may in turn have a material adverse effect on the NCB's, in turn Cinda HK's business, financial condition and results of operations.

Cinda HK's banking business is subject to interest rate risks.

As with most banks, for Cinda HK's banking business, net interest income is a significant factor in determining its overall financial performance. Interest rates in Hong Kong have remained relatively low and have been falling steadily in recent years, however, there can be no assurance that interest rates will not be raised or that increases in interest rates will not be frequent. As some of Cinda HK's assets and liabilities are repriced at different times, it is vulnerable to fluctuations in market interest rates. As a result, volatility in interest rates could have a material and adverse effect on Cinda HK's business, financial condition, liquidity and results of operations.

Changes in market interest rates affect the interest received on Cinda HK's banking business's interest-earning assets and the interest paid on the its interest-bearing liabilities. An increase in interest rates could lead to a decline in the value of securities in its portfolio. A sustained increase in interest rates could also raise the funding costs without a proportionate increase, or any increase at all, in loan demand. Rising interest rates would therefore require Cinda HK to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability. In addition, high interest rate levels may adversely affect the economy in Hong Kong and the financial condition and repayment ability of its corporate and retail borrowers which in turn may lead to a deterioration in Cinda HK's credit portfolio.

The differences in timing and level of changes in interest rates can result in an increase in interest expense relative to its interest income, which may lead to a reduction in its net interest income. Interest rates in Hong Kong are sensitive to factors over which Cinda HK has no control, including, among others:

- interest rates in the United States;
- liquidity of the domestic inter-bank market and the international capital markets;
- domestic and international economic and political conditions; and
- competition for loan demand.

In addition, Cinda HK's banking business is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of Cinda HK's funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits and inter-bank deposits, which tend to be at floating rates and are regularly repriced.

In contrast, some of Cinda HK's assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the its deposits. Cinda HK closely monitors the risks associated with changes in interest rates that may arise from maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate repricing risks and risks from embedded options (if any), and mitigates such risks mainly through rebalancing the repricing structure of assets and liabilities and the use of interest rate derivatives as an auxiliary strategy. However, in a volatile interest rate environment, there can be no assurance that Cinda HK's net interest margin will not be impacted, and its net interest income reduced.

The allowance for impairment losses on loans of Cinda HK's banking business may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future.

The allowance for impairment losses is determined according to the assessments and forecasts on various factors which may affect the quality of the loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realizable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as China's economic condition, policies for the industry, interest rates, accounting standards, laws and regulatory environment. Many of these factors are beyond Cinda HK's control, and the judgment and expectations on the aforesaid factors may not be consistent with the real conditions emerging in the future. Any change of the aforementioned factors may make Cinda HK's allowance for such impairment losses on loans insufficient to cover the actual losses, and as a result, may require Cinda HK to increase its allowance for such impairment losses. Hence, Cinda HK's profits may decrease, and its business, financial condition and results of operations may also be materially and adversely affected.

Cinda HK's banking business is subject to various capital requirements.

Cinda HK's banking subsidiary NCB is subject to the risk of having insufficient capital resources to meet the minimum regulatory capital requirements in both Hong Kong and PRC. Currently, under Basel III requirements, capital requirements which have been revised are inherently more sensitive to market movements than under previous Basel capital regimes. Any failure of NCB to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on Cinda HK's results of operations. A shortage of available capital might restrict its opportunities for expansion.

Further, the Monetary Authority or other authorities (the "**Relevant Authority**") having oversight of Cinda HK at the relevant time may implement the package of reforms in a manner that is different from that which is currently envisaged or may impose additional capital requirements on authorized institutions. For example, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements-Banking Sector) Rules requires that there must be sufficient financial resources to absorb losses and to recapitalize a failing financial institution. The regulatory capital requirements, liquidity restrictions or ratios applied to Cinda HK may increase in the future, if Cinda HK or its subsidiaries fail to meet any regulatory capital requirements, regulatory authorities may impose penalties on it or limit the operation of business, which could, in turn, have a material adverse effect on Cinda HK's business, financial condition and results of operations.

Cinda HK's banking business is subject to risks relating to changes in the regulatory environment in Hong Kong.

Cinda HK's banking business, through its banking subsidiary NCB, is directly affected by changes in Hong Kong regulatory policies, laws and regulations. Under the Banking Ordinance (Cap. 155) of the laws of Hong Kong (the "**Banking Ordinance**"), the Monetary Authority regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. Since Cinda HK operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements such as the Basel III capital adequacy standards which have been adopted in Hong Kong since January 2013. These standards require banks to disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of these standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

The Banking (Liquidity) Rules (Cap. 155Q) of Hong Kong have been enacted into local regulations in October 2014 and these rules have commenced operation since 1 January 2015. NCB has fully complied with the Basel III liquidity standards in accordance with the legislation. NCB's liquidity position and required disclosures have been discussed in the 2019 annual report of NCB and/or the Banking Disclosure Statement of NCB for the year ended 31 December 2019.

The Banking Ordinance also provides that the amount of the facilities which a Hong Kong incorporated authorized institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons associated with any of them shall be subject to the restrictions set out therein. The Banking (Exposure Limits) Rules (Cap. 155S) of Hong Kong also provides that (i) authorised institutions may not provide a financial facility against the security of their own shares, capital-in-nature instrument or non-capital LAC debt instruments (or, except with the approval of the Monetary Authority, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies); and (ii) authorised institutions may not, except with the written consent of the Monetary Authority, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

Certain products and services provided by Cinda HK are regulated by other regulators including the Securities and Futures Commission (the "SFC") in Hong Kong. Cinda HK carefully manages legal and compliance risks, including in relation to the sale of financial products and anti-money laundering regulations. Since 2007, the regulators in Hong Kong have introduced recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the marketing and sale of investment products.

In May 2010, the Monetary Authority and the SFC each launched new investor protection measures. The Monetary Authority measures apply to the sale of non-listed derivative products to retail customers. Authorized institutions are required to offer a pre-investment cooling-off period to certain groups of customers, such as elderly customers and first-time buyers with a high concentration (over 20 per cent. of the customer's assets). The SFC measures apply to the sale of unlisted structured investment products with a tenor of more than a year, issuers of unlisted structured investment products are required to provide a five-day 'cooling-off' period to investors. As such, in December 2010, Cinda HK implemented the pre-investment cooling-off period. Recently, in 2018, the Monetary Authority and the SFC each launched new requirements applicable to Online and Offline Distribution of Non-SFO-Regulated Structured Investment Products and Structured Products, and Cinda HK had then reviewed the classification of complex products and enhanced the suitability, disclosure and warning statement requirements etc. on both online and offline platforms timely and accordingly. Cinda HK continues to review its internal procedures and controls on risk exposures and implement new measures governing the sale process for financial products. Other recent measures that Cinda HK implemented include, for example, the implementation in September 2011 of investor characterization measures, which were required to be implemented as part of the "Know Your Client" process, which seek from clients information in relation to each client's knowledge of derivative products. On 3 April 2017, the Monetary Authority sent a letter to the financial institutions in Hong Kong regarding the Pillar 3 disclosure requirements published by the Basel Committee on 29 March 2017 and drew the financial institutions' attention to the requirements; and in August 2018, Cinda HK had also implemented the enhanced measures (Audio-recording and explanatory requirement) in selling annuity insurance products.

In addition, according to the recent communication with the Monetary Authority, the capital calculation methodology will change from internal rating-based ("IRB") model approach to standardized approach to measure credit risks and change from internal model ("IMM") approach to standardized approach to measure market risks. Such change of capital calculation methodology may affect the comparability between the relevant capital adequacy ratios for the year ending 2019 and the following years and may have other uncertain impacts on the asset adequacy calculation of Cinda HK.

Cinda HK has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the requirement for more stringent investor protections have increased its operational and compliance expenses. Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could increase the costs and burden on Cinda HK and may affect Cinda HK's operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase Cinda HK's operational and compliance cost or adversely affect its business or

operations. There can also be no assurance that breaches of legislation or regulations by Cinda HK will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred. If any of the situation happens, Cinda HK's business, financial condition and results of operations may be materially and adversely affected.

Cinda HK's banking business is subject to risks relating to changes in the regulatory environment in the PRC banking and insurance industry.

Cinda HK's banking business, through its PRC banking subsidiary NCB (China), is directly affected by changes in the PRC's banking and insurance regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking and insurance sectors are subject to future changes. Some of the changes in rules and regulations may result in additional costs or restrictions on NCB (China)'s operations and business expansion in the PRC and there can be no assurance that such changes will not materially and adversely affect Cinda HK's business, financial condition and results of operations.

For example, regarding the banking business, according to the requirements of the China Banking and Insurance Regulatory Commission ("CBIRC"), NCB (China) is required to maintain a minimum core Tier 1 capital adequacy of 5 per cent., a minimum Tier 1 capital adequacy ratio of 6 per cent., a minimum capital adequacy ratio of 8 per cent, a minimum capital conservation buffer of 2.5 per cent. and a maximum countercyclical buffer of 2.5 per cent. If NCB (China) fails to meet the capital regulatory requirements, the CBIRC may take regulatory measures, depending on the category of commercial bank which NCB (China) belongs to, including requiring NCB (China) to control the growth of risk weighted assets, restricting or prohibiting the expansion of branches, conducting new businesses and limiting distributions of dividends. These measures could have a material adverse effect on the business, financial condition, results of operations and prospects of NCB (China).

As some of the banking laws, rules, regulations or policies are relatively new, there is uncertainty regarding their interpretation and application. If NCB (China) fails to comply with any of these laws, rules, regulations or policies, it may result in enforcement actions, which may include fines to be imposed on NCB (China), restrictions on its business activities, or in extreme cases, suspension or revocation of its business licenses, which would materially and adversely affect NCB (China)'s operations, reputation, business and financial position.

NCB (China) operates in a highly regulated industry. The principal regulators of the PRC banking industry are the CBIRC, the PBOC and the State Administration of Foreign Exchange ("SAFE"). The CBIRC requires all commercial banks in China to maintain certain financial ratios, including but not limited to liquidity coverage ratio, liquidity ratio, net stable funding ratio and Capital Adequacy Ratio ("CAR").

In accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) amended on 29 August 2015 and effective on 1 October 2015, the previous requirement that all commercial banks in China should maintain a loan-to-deposit ratio of not more than 75 per cent. has been removed. However, the CBIRC uses other indicators, such as liquidity coverage ratio, liquidity ratio, and net stable funding ratio to monitor the liquidity status of commercial banks. If NCB (China) failed to fulfil this mandatory requirement, it may result in restrictions on its business expansion imposed by the CBIRC, such as suspension of new business application and establishment of new branch or sub-branch. As at 31 December 2019, NCB (China) was in compliance with this mandatory requirement.

The principal regulator of the PRC insurance industry is CBIRC. According to the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Promulgation of the Administrative Measures on Insurance Agency Business of Commercial Banks (中國銀保監會辦公廳關於印發《商業銀行代理保險業務管理辦法》的通知) issued on 23 August 2019 and effective on 1 October 2019, insurance agency business of a commercial bank shall mean the business activities that a commercial bank is entrusted by an insurance company to sell insurance products and provide the relevant services as the insurance company's agent within the scope authorized by the insurance company, and collects commissions from the insurance company pursuant to the law. Commercial banks operating insurance agency business shall satisfy the criteria stipulated by the CBIRC, and obtain an Insurance Part-time Agency Business Permit. Commercial bank outlets shall operate insurance agency business as authorized by the legal person entity.

There is no assurance that Cinda HK can always satisfy applicable laws and regulatory requirements. If Cinda HK does not meet any such requirements, Cinda HK's business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CINDA HK'S NON-BANKING BUSINESS

Cinda HK may be unable to obtain sufficient funds on commercially acceptable terms to support its investment business operations.

A substantial amount of funds is required to support the growth of Cinda HK's asset portfolio and future expansion of its business operations. Cinda HK has been obtaining financing primarily through (i) cash generated from operations, (ii) borrowings from banks and shareholders, and (iii) proceeds from the issuance of bonds. As at 31 December 2018 and 2019, the balance of Cinda HK's borrowings was HK\$54,527 million and HK\$58,037 million respectively. For the years ended 31 December 2018 and 2019, Cinda HK's interest expenses on such borrowings were HK\$2,489 million and HK\$2,396 million, respectively. As at 31 December 2018 and 2019, the balance of Cinda HK's bonds issued were HK\$98,774 million and HK\$104,590 million, respectively. For the years ended 31 December 2018 and 2019, Cinda HK's interest expenses on bonds issued were HK\$4,035 million and HK\$4,439 million, respectively. Cinda HK may need additional funding for its further acquisition of distressed debt and other investments. If there are changes in international and/or domestic macroeconomic conditions and policies, or if Cinda HK fails to maintain its existing and future loan arrangements with commercial banks, Cinda HK may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet its needs, or cannot be obtained on commercially acceptable terms, or at all, Cinda HK may not be able to fund operations, investments and business expansion, introduce new business or compete effectively.

Furthermore, Cinda HK's subsidiaries or branches may need financial support from it to meet their liquidity requirements during the ordinary course of their businesses. Some of Cinda HK's subsidiaries may need additional capital injections from it to meet applicable regulatory requirements. Cinda HK may not be able to provide sufficient funds to its subsidiaries or branches in a timely manner, or at all, which could materially and adversely affect its business, financial condition and results of operations.

Cinda HK's investment business is subject to its investment decisions.

Cinda HK's investment business generally involves distressed assets related investment business, liquidity management investment and other investment. Making an accurate investment decision requires it to (i) carefully identify the quality of the relevant target, (ii) the estimated costs associated with the investment and (iii) prevailing market conditions and intensity of competition, all of which involve significant judgments and estimates. However, Cinda HK may make unsound investment decisions due to fraudulent, concealed, inaccurate or misleading statements from any third party, which could lead it to mistakenly estimate the value of the investment and affect Cinda HK's ability to make profit on such investments. In addition, Cinda HK's understanding of and judgment on the market and industry condition may be inaccurate and result in inappropriate investment decisions.

Cinda HK's distressed assets related investment business is subject to various risks.

Cinda HK is doing distressed assets related investment business as part of its investment business, which is directly affected by various risks:

- Cinda HK may not be able to maintain the growth of its distressed asset portfolio. The distressed assets that Cinda HK acquires from financial institutions and non-financial enterprises primarily comprises of NPLs sold by banks, distressed assets sold by non-bank financial institutions and accounts receivable sold by non-financial enterprises. The supply of distressed assets is affected by a number of factors. This includes changes in macroeconomic conditions, asset quality and the business conditions of financial institutions and nonfinancial enterprises. Changes in the NPLs balance of commercial banks in the PRC and Hong Kong, the overall volume of accounts receivable of enterprises, macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could significantly impact the supply of distressed assets. Therefore, the supply of distressed assets in the PRC financial market may be limited or may change over a certain period of time. The amount of distressed assets Cinda HK is able to acquire depends on a number of factors beyond its control, such as the policies of the PRC central government or local governments, the willingness of banks and enterprises to sell their distressed assets and Cinda HK's competition with other asset management companies ("AMCs"). Should Cinda HK fail to acquire distressed assets at acceptable prices or at all, or if further changes in government policies with regard to distressed asset management prevent Cinda HK from growing its distressed asset portfolio, Cinda HK might have difficulties in maintaining a portfolio of quality distressed assets in the long run and its competitive position, financial condition and results of operations may be materially and adversely affected;

- Cinda HK may not recover the value of its distressed assets as expected due to changes in market conditions and its ability to dispose of its distressed assets is subject to the limited methods of disposal available in the PRC. Cinda HK generally records the distressed assets at fair value and records profits when the amount of the proceeds it receives from the disposal of the distressed assets exceeds the recorded fair value or purchasing costs of such assets. Recoverability of the distressed assets depends on various factors, many of which are affected by market conditions, such as the economic conditions in the PRC and the world, the existing market conditions and changes in the relevant PRC laws and regulations. Therefore, the actual recovered value of the distressed assets could be significantly lower than expected and Cinda HK may incur losses in relation to such distressed assets. The occurrence of the above-mentioned factors may reduce the quality of Cinda HK's distressed assets portfolio or prevent Cinda HK from recovering the fair value or purchasing costs of the relevant distressed assets. In addition, Cinda HK has to occasionally recover the value of some of its distressed assets through litigation or arbitration. There is no assurance however that Cinda HK can achieve a desirable outcome in relation to its litigation or arbitration. Cinda HK makes provisions in connection with its distressed assets as required by relevant laws and regulations and relevant accounting policies. If Cinda HK's application of its evaluation system or debt collection is insufficient, its provision for impairment loss may be insufficient to cover actual losses and Cinda HK may need to make extra provisions for such impairment loss. This may materially and adversely impact Cinda HK's business performance. The methods that Cinda HK currently adopts to realize the value of its distressed assets include debt-to-equity swaps, debt restructuring and amendment of debt repayment terms, asset sales and asset restructuring, recovery through debt recovery professionals, and through litigation. Given that the distressed management industry in the PRC is expected to further evolve, certain innovative financing and disposal financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may no longer be available to Cinda HK. In addition, Cinda HK's distressed asset management is subject to the existing rules, regulations and policies, which may change from time to time depending on the development of the distressed asset management industry. Any asset disposal method that is newly introduced into the market will require further development and improvement. There will also be legal uncertainties with respect to such new method prior to the promulgation of rules and regulations governing such new method. Although Cinda HK's management believes that its methods and manners of disposal are in compliance with the applicable laws and regulations, the relevant regulatory authorities may adopt a different view that, which could restrict or prevent Cinda HK from using specific methods of distressed asset disposal and be subject to fines and other penalties in relation to Cinda HK's existing disposal practices; and
- Any deterioration in the value of collateral granted in connection with distressed assets held by Cinda HK will affect the amount which it is able to recover in the event of enforcement of such collateral. A portion of Cinda HK's distressed assets are secured by collateral or guarantees. The collaterals securing Cinda HK's distressed assets primarily include properties and other assets located in the PRC. The value of the collateral securing Cinda HK's debt assets may significantly fluctuate or decline due to factors beyond Cinda HK's control such as macroeconomic factors affecting the PRC economy. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real properties used to secure Cinda HK's debt assets, to a level significantly below the outstanding balance of principal and interests of such debt assets. Any decline in the value of such collateral may reduce the amounts that Cinda HK can recover from such collateral and increase its impairment losses. Some of the guarantees relating to Cinda HK's debt assets are provided by the relevant obligor's affiliates. Such debt assets are generally not secured by collateral or security interests. Significant deterioration in the financial condition of any of Cinda HKs could significantly decrease the amounts that Cinda HK may recover from such guarantees. Moreover, Cinda HK is subject to the risk that courts or other judicial or governmental authorities may declare a collateral to be invalid or otherwise decline or fail to grant judgment in favour of enforcing such collateral. Cinda HK is accordingly exposed to the risk that it may not be able to recover part or all of the guaranteed amounts for its debt assets. Moreover, Cinda HK obtains assets in satisfaction of debt when acquiring or disposing distressed assets and it does not intend to hold these assets in satisfaction of debt for the long term. Certain land and buildings in satisfaction of debt that Cinda HK currently holds have defects because the land use rights or the building ownership have not been obtained by the previous owners or transferred to Cinda HK. As a result, Cinda HK may not be able to exercise its rights over such assets in satisfaction of debt, which may affect its ability to dispose of such assets in satisfaction of debt and to generate income.

Cinda HK's financing business is subject to various risks.

An increase in interest rates, or the perception that such an increase may occur, could adversely affect Cinda HK's ability to finance at favourable interest rates. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (e.g. spread risk) could lead to a mismatch between interest income and interest expense. If the interest expenses incurred in Cinda HK's financing business grows without a match of the increase of interest income from other businesses, Cinda HK's business, financial condition and results of operations will be materially and adversely affected.

The lack of financing sources will directly affect Cinda HK's capability to do financing business. If there are changes in international and/or domestic macroeconomic conditions and policies, or if Cinda HK fails to maintain existing financing agreements with major parties, or if sufficient financing is not available to meet its business needs, or cannot be obtained on commercially acceptable terms, or at all, Cinda HK may not be able to manage the liquidity portfolio for China Cinda. China Cinda, in turn Cinda HK's business, financial condition and results of operations will be materially and adversely affected.

RISKS RELATING TO THE PRC AND HONG KONG

Cinda HK is subject to risks relating to the PRC's economic, political and social conditions, government policies, as well as the global economy.

The majority of Cinda HK's businesses, assets, operations and revenues with respect of its non-banking business are located in or derived from its operations in the PRC and Hong Kong, and as a result, Cinda HK's business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Cinda HK's performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, the continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to China's economic growth.

Any of the above factors may materially and adversely affect Cinda HK's business, financial condition and results of operations. Cinda HK is unable to accurately predict the precise nature of all the risks and uncertainties associated with the current economic, political, social and regulatory conditions, and many of these risks and uncertainties are beyond its control.

The financial industry in the PRC is highly regulated, and Cinda HK is subject to risks relating to changes in regulations or other governmental policies, including their interpretation and application.

The financial industry in the PRC is highly regulated. China Cinda and some of its subsidiaries are subject to regulations on various perspectives, including, capital adequacy ratio, business licences, the scope of operations, the scope of investments, as well as the specific regulatory requirements for each financial sector, such as banking, insurance, securities and financial leasing, in which they operate. Thus, as a member of Cinda Group, Cinda HK's business and operations are also affected by changes in policies, laws, rules and regulations of the PRC relating to the financial industry, such as those affecting the extent to which Cinda HK can engage in specific businesses, as well as changes in other governmental policies.

In addition, pursuant to applicable laws and regulations in Hong Kong and the PRC, Cinda HK and its subsidiaries are required to obtain or renew approvals, permits and licences with respect to Cinda HK's relevant operations from the government. In order to obtain such qualifications, Cinda HK is required to fulfil requirements of regulatory authorities in various aspects. In case Cinda HK fails to fulfil such regulatory requirements continuously, its qualifications of operation may be revoked by regulatory authorities, or it may be denied renewing its qualification upon its expiration, or it may fail to obtain the relevant approvals for any new businesses as planned. There is no assurance that Cinda HK can obtain or renew all necessary approvals, permits and licences on a timely basis. Failure to obtain the relevant approvals could subject it to sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of Cinda HK's business operations or restriction or prohibition on certain business activities, which may result in failure to commence new businesses as scheduled or falling behind Cinda HK's competitors in such sectors.

As the PRC financial industry is undergoing significant changes, relevant laws and regulations may change from time to time based on the developments of the financial markets. Most of the emerging businesses require further development and improvement, and there are uncertainties regarding the enforcement of existing policies and regulations in relation to these new businesses. There is no assurance that Cinda HK will be able to adapt to all such changes on a timely basis. Any changes in regulatory requirements may have a material and adverse effect on Cinda HK's business, financial condition and results of operations. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws, regulations or accounting standards. Failure to comply with the applicable policies, laws, rules, regulations or accounting standards may result in fines and restrictions on Cinda HK's business operations, which could also have a material and adverse impact on its business, financial condition and results of operations.

Cinda HK is subject to the risks from an economic downturn in Hong Kong.

Around one third of Cinda HK's revenues arises from its business operation in Hong Kong. Cinda HK's performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong. As a result, any downturn in the Hong Kong economy may materially and adversely affect Cinda HK's business, financial condition and results of operations.

On 1 July 1997, sovereignty over Hong Kong was transferred from the United Kingdom to the PRC, and Hong Kong became a Special Administrative Region of the PRC. As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law, which is Hong Kong's constitution, Hong Kong has a high degree of autonomy except in foreign and defence affairs. Under the Basic Law, Hong Kong has its own legislative, legal and judicial systems and full economic autonomy for 50 years. Nevertheless, there can be no assurance that such policies will not be significantly altered, especially in the wake of the proposal of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill in June 2019. Future economic, political and social developments in the PRC could have significant effects on Hong Kong, which may materially and adversely affect the Group's business, results of operations and financial condition.

Civil unrest, protests, demonstrations or rioting causing mass disruption to businesses and transportation since early 2019 may also affect Cinda HK's operations. There is no assurance that any unforeseeable interruptions to the business and operations can be mitigated or avoided. Moreover, prolonged civil unrest and an uncertain political environment, including any declaration by the Chief Executive of Hong Kong of a state of emergency pursuant to the Emergency Regulations Ordinance (Cap. 241) of the laws of Hong Kong which confers on the Chief Executive power to make any regulations whatsoever which he/she may consider desirable in the public interest in an occasion of emergency or public danger, may impact the Hong Kong economy and result in an economic slowdown. Civil unrest and instability may also dampen market confidence and sentiments. Civil unrest is outside the control of Cinda HK. Any demonstrations, protests or riots causing disruption to the city, the authorities' reaction to any such protests or riots if they recur, the Chief Executive's decision to make any declaration of a state of emergency and the instability of the political and economic conditions in the region, could adversely impact Cinda HK's business, financial condition and results of operations and the price of the Notes traded in the secondary market.

Cinda HK is subject to risks relating to the Hong Kong property market.

Cinda HK has higher exposures to property-related usage as compared to other industries. As at 31 December 2018 and 2019, advances to customers for property-related usage in Hong Kong accounted for 13.9 per cent. and 68 per cent., respectively of Cinda HK's total advances to customers.

The Hong Kong property market is highly cyclical and property prices in general have historically been cyclical volatile. After a period of significant increases in property prices as a result of increased demand spurred by access to funding with lower interest rates and reduced supply, at the end of 2010, the Hong Kong government and the Monetary Authority introduced property cooling measures such as a special stamp duty and reduced loan-to-value borrowings. Market consolidation in Hong Kong was experienced in the residential property market since these measures were introduced in 2010. On 26 October 2012, the financial secretary of the Hong Kong Government announced that the Stamp Duty Ordinance (Cap. 117) of the laws of Hong Kong ("**Stamp Duty Ordinance**") would be amended to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("**SSD**") imposed by the Stamp Duty (Amendment) Ordinance in 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. The financial secretary also announced on 26 October 2012 that a Buyer's Stamp Duty ("**BSD**") would be introduced with effect from 27 October 2012 on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is to be charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 22 February 2013, the financial secretary announced that the Hong Kong Government would further amend the Stamp Duty Ordinance to adjust the ad valorem stamp duty ("**AVD**") rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale. On 4 November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first-time home buyers who are Hong Kong permanent residents. The new 15 per cent. rate replaces the maximum 8.5 per cent. double AVD on non-first-time home purchases by Hong Kong permanent residents that had been in place since February 2013. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there is no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the Hong Kong property market, which may in turn affect have a negative impact on Cinda HK's asset quality or an adverse effect on its business.

The trend of property prices in the Hong Kong property market depends on various factors which are beyond Cinda HK's control, including when the Hong Kong government will relax its cooling measures, the Hong Kong dollar interest rate movements (largely dependent on the timing and pace of United States interest rate hikes), capital outflow pressures in relation to global competitive monetary easing and currency depreciation, growth prospects of the Hong Kong economy, economic, Renminbi and property market developments in the PRC and changes in the property demand/supply balance in the Hong Kong market. Any substantial decreases in property values could materially and adversely affect Cinda HK's business, financial condition and results of operations. In order to control the concentration risk in this segment, Cinda HK has taken various measures, including setting portfolio limits. However, there can be no assurance that the downturn in property market in Hong Kong or the PRC will not have a negative impact on Cinda HK's asset quality or an adverse effect on Cinda HK's business.

Under the Enterprise Income Tax Law, Cinda HK or the Issuer may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to Cinda HK, the Issuer and non-PRC Noteholders.

Under the Enterprise Income Tax Law ("**EIT Law**"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. The Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises

Registered Abroad as Resident Enterprises on the Basis of their Body of Actual Management issued by the State Administration of Taxation on 22 April 2009 (“**Circular 82**”) and amended on 29 December 2017 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a “resident enterprise” with a “de facto management body” located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. Circular 82 also provides that the determination of the “de facto management body” shall be governed by the principle of substance over formality. The Administration of Taxation of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises (for Trial Implementation) issued by the State Administration of Taxation on 27 July, 2011 (“**Circular 45**”) and respectively amended on 1 June 2015, 1 October 2016 and 15 June 2018, further prescribes the rules concerning the recognition, administration and taxation of a foreign enterprise “controlled by a PRC enterprise or PRC enterprise group.” Circular 45 provides that the tax authority may determine that the foreign enterprise is a resident enterprise after an investigation.

Cinda HK and the Issuer believe that they are currently not PRC resident enterprises. However, since (i) Cinda HK and the Issuer are directly or indirectly controlled by China Cinda, which is a joint stock limited company incorporated in the PRC; (ii) substantially all of Cinda HK’s and the Issuer’s directors and senior management were nominated by China Cinda; and (iii) such directors and senior management are required to report to China Cinda from time to time, there is no assurance that Cinda HK and the Issuer will not be deemed “resident enterprises” under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on their global income in the future. Provided that Cinda HK and the Issuer are each not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Notes and payments under the Notes and the Guarantee to the non-PRC resident holders of the Notes will not be subject to PRC withholding tax. However, if the Issuer and/or Cinda HK are considered to be PRC resident enterprises, interest payments and/or payments under the Guarantee and gains on disposition of Notes may be subject to PRC tax as described below.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is applicable to PRC-source income derived by non-resident enterprises from a PRC resident enterprise. The EIT Law’s implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in China. If the Issuer or Cinda HK is deemed a PRC resident enterprise for tax purposes, interest and/or payments under the Notes or the Guarantee to non-PRC resident Noteholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10% for enterprise Noteholders and 20% for individual Noteholders. Any gains realised on the transfer of the Notes by such investors may also be subject to PRC income tax at a rate of 10% for non-PRC resident enterprise Noteholders or 20% for non-PRC resident individual Noteholders, if such gains are regarded as PRC-sourced. These rates may be reduced by an applicable tax treaty.

Moreover, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) (the “**Circular 36**”) on 23 March 2016 and respectively amended on 1 July 2017 and 1 April 2019, which provides that all business tax payers are included into the pilot programme to pay VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC, including the provision of loans. If the Issuer is deemed to be a PRC Resident Enterprise under the EIT Law, it is unclear whether the Notes may be treated as loans under the new VAT regime, in which case gains from the sale of Notes may be subject to VAT. However, VAT is unlikely to apply to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes. As Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If any of the Issuer or Cinda HK is required under the EIT Law to withhold PRC tax on interest paid to non-PRC resident holders, it would be required, subject to certain exceptions, to pay such additional amounts as would result in receipt by a holder of a Note of such amounts as would have been received by such holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes.

Cinda HK is subject to the risks relating to fluctuations in the value of Renminbi.

While Cinda HK's financial statement recording currency is Hong Kong dollars, a portion of its revenue and expenses are denominated in Renminbi. As a result, fluctuations in exchange rates, particularly Renminbi against Hong Kong dollars or U.S. dollars, could affect Cinda HK's profitability and may result in exchange losses of Renminbi-denominated assets and liabilities.

The volatility in exchange rate of Renminbi against U.S. dollars and other currencies is affected by, among other factors, changes in the PRC and international political and economic conditions and the fiscal and currency policies of the PRC government. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the Renminbi exchange rate to fluctuate within a regulated range that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The floating band was expanded to 1.0% on 16 April 2012 and further to 2.0% on 17 March 2014. These changes in currency policy resulted in significant appreciation of the Renminbi against the U.S. dollar. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the PBOC to the Renminbi to U.S. dollar exchange rate. In the fourth quarter of 2016, the Renminbi further depreciated in the backdrop of a surging U.S. dollar and persistent capital outflows of China. From the second quarter of 2018, the Renminbi experienced another round of depreciation due to the trade war between China and United States. On 5 August 2019, PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account, as well as boosting the competitiveness of the PRC's exports. The PRC government may make further adjustments to the exchange rate system in the future. There is no assurance that the Renminbi will not experience significant appreciation or depreciation against the Hong Kong dollar or U.S. dollar in the future. Any significant increase in the value of the Hong Kong dollar against foreign currencies could reduce the value of Cinda HK's foreign currency-denominated revenue and assets.

RISKS RELATING TO THE NOTES AND THE GUARANTEES

Risks Relating to the Notes

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

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “**FIRO**”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which include NCB (a “**FIRO Group Entity**”). 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, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to resolve other entities within the Group as if it were a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to it. Any such actions could potentially affect contractual and property rights relating to NCB and/or Cinda HK. In addition, 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 (whether senior or subordinated) 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, Cinda HK is unable to assess the full impact of FIRO on the financial system generally, Cinda HK's counterparties, Cinda HK, NCB, any of its consolidated subsidiaries or other entities, Cinda HK's operations and/or its financial position.

The Notes and the Guarantee are unsecured obligations.

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

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

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

- (i) 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 or any applicable supplement;
- (ii) 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;
- (iii) 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;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) 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.

The Notes are 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 their overall portfolios. A potential investor should not invest in the 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. A potential investor should ensure that he has sufficient knowledge and experience (either alone or with the help of a financial adviser) to make his own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Notes and that he considers the suitability of the Notes as an investment in light of his own circumstances and financial condition.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor's ability to perform their obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

Investors shall pay attention to any modification and waivers.

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

The terms and conditions of the Notes also provide that the Trustee may (but shall not be obliged to) agree, without the consent of Noteholders, to (i) any modification that is of a forma, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, that is not materially prejudicial to the interests of the Noteholders.

Investors shall be aware of the effect of change of law.

The Trust Deed governing the Notes is based on 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.

Limited liquidity of the Notes may affect the market price of the Notes.

The Notes will not be registered under the Securities Act or the securities or blue sky laws of any state of the United States. The Notes are being offered and sold either to non-U.S. persons in offshore transactions within the meaning of and in compliance with Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale.

The Notes are a new issue of securities with no established trading market. Application has been made to list the Notes on the Hong Kong Stock Exchange. However, if for any reason the Notes are not listed, the liquidity of the Notes may be negatively impacted.

A liquid or active trading market for the Notes may not develop. If an active trading market for the Notes does not develop or does develop and is not maintained, the market price of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial issue price, depending on prevailing interest rates, the market for similar securities, China Cinda's performance and other factors. See "*Subscription and Sale*".

In addition, the Notes may initially be sold to a small number of investors. A limited number of investors may purchase a significant portion of the Notes offered. The existence of any such significant holder(s) of the Notes may reduce the liquidity of the Notes in the secondary trading market. Accordingly, the Guarantor cannot predict whether an active trading market for the Notes will develop or be sustained, in which case investors may not be able to resell their Notes at their fair market value or at all. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, China Cinda's operations and the market for similar securities.

The Guarantor will require a significant amount of cash to meet its obligations under its indebtedness and to sustain its operations, which the Guarantor may not be able to generate or raise.

The Guarantor's ability to make scheduled payments on the Notes and the Guarantor's ability to make payments on its indebtedness and its contractual obligations and to fund its ongoing operations will depend on its future performance and its ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors" section, many of which are beyond the Guarantor's control. If China Cinda's future cash flows from operations and other capital resources are insufficient to pay its debt obligations, its contractual obligations, or to fund its other liquidity needs, the Guarantor may be forced to sell assets or attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Guarantor would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

China Cinda, the Guarantor and the Issuer are ultimately state owned entities, but none of the PRC governmental bodies is an obligor under the Notes or the Guarantee. The payment obligations under the Notes or the Guarantee remain the sole obligations of the Issuer and/or the Guarantor (as the case may be), and any such ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer or the Guarantor. Under no circumstances shall any of the PRC governmental bodies have any obligation arising out of or in connection with the Notes or the Guarantee in lieu of the Issuer or the Guarantor.

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

The Group has a large number of subsidiaries, whether onshore or offshore, which operate and provide a wide-range of financial services. The Group from time to time and during its ordinary course of business enter into financing agreements or investment arrangements with financial institutions and relevant parties. There is no assurance that non-compliance or dispute will not occur under such agreements or arrangement, or if they occur, that they will be properly rectified.

For example, Timespeed Investment Limited ("**Timespeed**"), a subsidiary of CCAM, entered into a consortium as part of an acquisition in Hong Kong, and Timespeed as one of the borrowers, entered into a facility agreement of HK\$3 billion (the "**Facility Agreement**") on 9 September 2016 with a bank as the lender for the purpose of project financing. Certain non-compliances, which did not stem directly from Timespeed or CCAM, occurred by members of the consortium. As a result, in May 2019, by appointment of a receiver, the bank took possession of some of the collaterals charged by the consortium for the Facility Agreement, which include shares of Timespeed held by CCAM. As confirmed by the Guarantor, CCAM has worked closely with the lender to resolve the dispute and the consortium has fully repaid all outstanding facilities under the Facility Agreement before 31 December 2019. CCAM has been informed by the lender that there is no further repayment obligations from the part of Timespeed or CCAM but further time and procedure is needed to discharge the receivership and the encumbrances. Furthermore, the receiver appointed by the bank has not disposed of the shares of Timespeed held by CCAM. The Guarantor confirms this incident does not have any material adverse impact on the Group's financial position, business and prospects, as well as the ability of the Issuer or the Guarantor to discharge their respective payment obligations under the Notes.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Notes, or is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements which are not rectifiable, or rectifiable but not rectified, unless the Guarantor or the relevant subsidiaries, as the case may be, are able to obtain timely waivers or otherwise remedy such breaches, the creditors of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements, and the Notes, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, any default by the Issuer or the Guarantor, or any other member of the Group, under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements. If any of these events occur, there can be no

assurance that the assets and cash flows of the Guarantor or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Guarantor or its subsidiaries would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that such financing would be on terms that are favourable or acceptable to the Guarantor or, as the case may be, its subsidiaries.

The Guarantor may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Trust Deed governing the Notes.

Upon the occurrence of certain events constituting a “Change of Control Triggering Event,” as such term is defined in the Trust Deed governing the Notes, the Issuer is required to make an offer to repurchase all outstanding Notes at a purchase price in cash equal to 101 per cent. of the principal amount of the Notes. If a Change of Control Triggering Event were to occur, no assurance can be given that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. A Change of Control Triggering Event may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control Triggering Event itself does not.

The Change of Control provision contained in the Trust Deed governing the Notes may not necessarily afford Noteholders protection in the event of certain important corporate events, including a reorganisation, restructuring, merger, recapitalisation, sale of all or substantially all assets or other similar transaction that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “Change of Control”. Except as described under “*Terms and Conditions of the Notes — Repurchase Upon a Change of Control Triggering Event*”, the Trust Deed governing the Notes does not contain provisions that require the Guarantor to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation, sale of all or substantially all assets or similar transaction.

The liquidity and price of the Notes may be volatile.

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

There might be difficulties in effecting service of legal process and enforcing judgments against the Guarantor and its management.

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. Although the Guarantor is a company incorporated under the laws of Hong Kong, a substantial portion of its assets and some of its subsidiaries are located in the PRC. In addition, most of the Guarantor’s directors, supervisors and senior management reside within the PRC, and the assets of its directors, supervisors and senior management may be located within the PRC.

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 Guarantor 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 Guarantor or its management in the PRC.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of 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 “**2006 Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On 18 January 2019, the Supreme People’s Court of the People’s Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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 “**2019 Arrangement**”). The 2019 Arrangement stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a “written choice of court agreement” has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

Unlike other bonds issued in the international capital markets where holders of such bonds 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.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Notes, the Receipts, the Coupons and the Talons, the Trust Deed, Agency Agreement and the Guarantee are governed by English law, whereas parties to these documents are submitting to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the 2006 Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, 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 Hong Kong courts 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. Compared to other

similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically 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, and thus the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

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

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

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

The Issuer has been and will continue to 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 than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what holders of Notes are accustomed to.

The ratings of the Programme may be downgraded or withdrawn.

The Programme has been assigned a rating of "A-" by S&P and a rating of "A" by Fitch. In addition, the Guarantor has been assigned a rating of "A3" by Moody's, a rating of "A-" by S&P and a rating of "A" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's or Guarantor's ability to access the debt capital markets.

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

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may, at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of holders of the Notes. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Notes to take such steps and/or actions and/or institute such proceedings directly.

The Notes may be redeemed by the Issuer before maturity at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest in the event that any of the Issuer or the Guarantor is treated as a “resident enterprise” of the PRC and hence need to pay Additional Amounts.

As discussed above under “Risk Factors — Risks Relating to the PRC and Hong Kong — Under the Enterprise Income Tax Law, Cinda HK or the Issuer may be classified as a ‘resident enterprise’ of the PRC. Such classification could result in unfavourable tax consequences to Cinda HK, the Issuer and non-PRC Noteholders.”, the Issuer and the Guarantor may be required under the EIT Law to withhold PRC taxes on interest paid to non-resident Noteholders. Subject to certain exceptions set forth in “Terms and Conditions of the Notes — Redemption — Redemption for Taxation Reasons,” in the event that any of the Issuer or the Guarantor, as the case may be, is required to pay Additional Amounts (as defined in “Terms and Conditions of the Notes”) with respect to any PRC withholding taxes as a result of (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined in the “Terms and Conditions of the Notes”), or (2) any change in the, or announcement of any, official interpretation or official application of such laws, regulations or rulings, which results in the Issuer or the Guarantor being treated as a PRC resident enterprise, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest (including any Additional Amounts). In addition, the Issuer may redeem the Notes if as a result of certain changes or amendments to laws & regulations and rulings or change in or announcement of their official application, payment to the Issuer, by the Guarantor or any wholly-owned subsidiary of the Guarantor to enable the Issuer to pay interest or additional amounts is subject to withholding or deduction of taxes. If the Issuer is unable to redeem the Notes, the requirement to pay Additional Amounts will increase the cost of servicing interest payments on the Notes and could have a material adverse effect on the ability to pay interest on, and repay the principal amount of, the Notes, as well as the profitability and cash flow of the Issuer or the Guarantor.

Considerations related 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:

(a) Notes subject to optional redemption by the Issuer

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 will generally not rise substantially above the price at which they can be redeemed. This may also 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 would generally 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.

(b) Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a “**Relevant Factor**”). In addition, 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) the payment of principal or interest may occur at a different time or in a different currency than expected;

- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

(c) Partly-paid Notes

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

(d) Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. 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 those features.

(e) Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically 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.

(f) Fixed/Floating Rate 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.

(g) Notes issued at a substantial discount or premium

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.

Risks relating to Notes which are linked to "benchmarks"

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) 2016/1011 (the “**EU Benchmark Regulation**”) was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Benchmark Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The EU Benchmark Regulation and/or the UK Benchmark Regulations, as applicable, 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 Benchmark Regulation and/or the UK Benchmark Regulation as applicable, 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. In addition, each of the EU Benchmark Regulation and the UK Benchmark Regulation stipulates that each administrator of a “benchmark” regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain “benchmarks” will fail to obtain a necessary licence, preventing them from continuing to provide such “benchmarks”. Other administrators may cease to administer certain “benchmarks” because of the additional costs of compliance with the EU Benchmark Regulation, the UK Benchmark Regulations and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete. 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 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021 and that planning a transition to alternative reference rates that are based firmly on transactions must begin. In November 2020, the administrator of LIBOR announced that it will carry out a public consultation on its intention to cease the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on 31 December 2021, and the remaining USD LIBOR settings (the “**Relevant LIBOR Settings**”) immediately following the LIBOR publication on 30 June 2023. As of the date of this Offering Circular, no official result of such consultation has been published and there can be no assurance that the administrator of LIBOR will extend the publication of the Relevant LIBOR Settings until 30 June 2023.

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.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR 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 based on the same benchmark.

The Terms and Conditions of Notes provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable or a Benchmark Event (a defined in the Terms and Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the

ultimate fallback for the purposes of calculation of the Rate 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. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that 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. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

Risks Relating to Renminbi Denominated Notes

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

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

The value of Renminbi against the Hong Kong dollar and 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. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. Since August 2015, the value of Renminbi has significantly depreciated against the Hong Kong dollar. See “*Exchange Rate.*” If the value of Renminbi further depreciates against the Hong Kong dollar or other foreign currencies, the value of the investment made by a holder of the Renminbi Notes in Hong Kong dollars or any other foreign currency terms will decline.

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. The trading price of the Renminbi Notes will 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.

Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into and outside 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, including the Hong Kong dollar, despite significant reduction in control by it in recent years over routine foreign exchange transactions under current account items. Participating banks in Hong Kong and in other jurisdictions have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes. However, remittance of Renminbi by foreign investors into the PRC for purposes known as capital account items, such as capital contributions, is generally permitted only upon obtaining specific approvals from, or completing specific registrations or filings with relevant authorities on a case-by-case basis and subject to a strict monitoring system. Although the PRC Government is liberalising the control over cross-border Renminbi remittances (especially given the goal to achieve full convertibility of capital accounts (if the risk is under control) and promote convenient cross-border Renminbi flow in the China (Shanghai) Pilot Free Trade Zone) and, from 1 October 2016, Renminbi has been 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 or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance their obligations under Notes denominated in Renminbi.

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

As at 31 December 2019, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB632.2 billion.

While the PBOC has established Renminbi clearing and settlement mechanisms for participating banks in a number of financial centres and cities (each, an “**Renminbi Clearing Bank**”), including but not limited to Hong Kong, Singapore and Taiwan, through settlement agreements on the clearing of Renminbi business (the “**Settlement Agreements**”) with Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China Limited, Taipei Branch in Taiwan (each, a “**Renminbi Clearing Bank**”), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the 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 the PBOC. The Renminbi Clearing Bank only have access to onshore liquidity support from the 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 Agreements 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 is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

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

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

EXCHANGE RATE

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the exchange rate for the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been set by the PBOC based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has made further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and as the over-the-counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective from 21 May 2007, the floating band for the trading prices in the interbank spot exchange market of the Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and as the balance of payments situation in China, it has decided to proceed further with the reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. On 12 April 2012, the PBOC announced that effective from 16 April 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. The PRC government may in the future make further adjustments to the exchange rate system.

Although the PRC governmental policies have been introduced in 1996 to relax restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, still requires the approval of the SAFE and other relevant authorities. On 11 August 2015, the PBOC adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session.

On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PRC government may in the future make further adjustments to the exchange rate system.

The following table sets forth for the periods indicated, certain information concerning the exchange rates between the Renminbi and U.S. dollars. The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Exchange Rate			
	Period end	Average ⁽¹⁾	High	Low
	(RMB per U.S.\$1.00)			
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5060	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
January.....	6.9161	6.9184	6.9749	6.8589
February.....	6.9906	6.9967	7.0286	6.9650
March.....	7.0808	7.0205	7.1099	6.9244
April.....	7.0622	7.0708	7.0989	7.0341
May.....	7.1348	7.1016	7.1681	7.0622
June.....	7.0651	7.0816	7.1263	7.0575
July.....	6.9744	7.0041	7.0703	6.9744
August.....	6.8474	6.9270	6.9799	6.8474
September.....	6.7896	6.8106	6.8474	6.7529
October.....	6.6919	6.7254	6.7898	6.6503
November.....	6.5760	6.6029	6.6899	6.5556
December.....	6.5250	6.5393	6.5705	6.5208

Note:

(1) Calculated by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which were calculated by averaging the daily rates for such month or part thereof.

SUMMARY OF PROVISION RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

INITIAL ISSUE OF NOTES

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

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

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

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

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

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

EXCHANGE

Temporary Global Notes

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

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see “*Subscription and Sale — Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

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

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

Further Issues

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

Permanent Global Notes

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

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part if so provided, and in accordance with, the Conditions relating to Partly Paid Notes.

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

Global Certificates

The following will apply in respect of transfers of Notes represented by a Global Certificate on issue and held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) of the Conditions may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so provided that, in the case of the first transfer of part of a holding, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

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

Delivery of Notes

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

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions.

In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

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

Amendment to Conditions

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

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Conditions 7(f)(vi) and 8(c) of the Conditions will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of “**business day**” set out in Condition 7(h) of the Conditions.

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

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

Prescription

Claims against the Issuer and/or the Guarantor in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9 of the Conditions).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

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

Purchase

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

Issuer's Option

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

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate may be exercised by the holder giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) or to a Paying Agent acting on its behalf, for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of all or some of the Notes represented by the Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or 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 by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or the relevant Global Certificate, as the case may be.

Partly Paid Notes

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

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used for working capital, investment, refinance of existing indebtedness and/or other general corporate purpose in accordance with applicable laws. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's indebtedness, equity and total capitalization under HKFRS as at 31 December 2019.

	As at 31 December 2019	
	Actual	
	HK\$	US\$(²)
	(in millions)	
Indebtedness⁽¹⁾		
Borrowings from central bank	27.69	3.55
Bank and other borrowings	58,036.81	7,450.74
Bond issued	104,589.53	13,427.16
Equity		
Equity attributable to equity holders of the company	34,812.03	4,469.15
Non-controlling interests	821.53	105.47
Total equity	44,948.45	5,770.46
Total capitalisation ⁽³⁾	243,236.04	31,226.54

Notes:

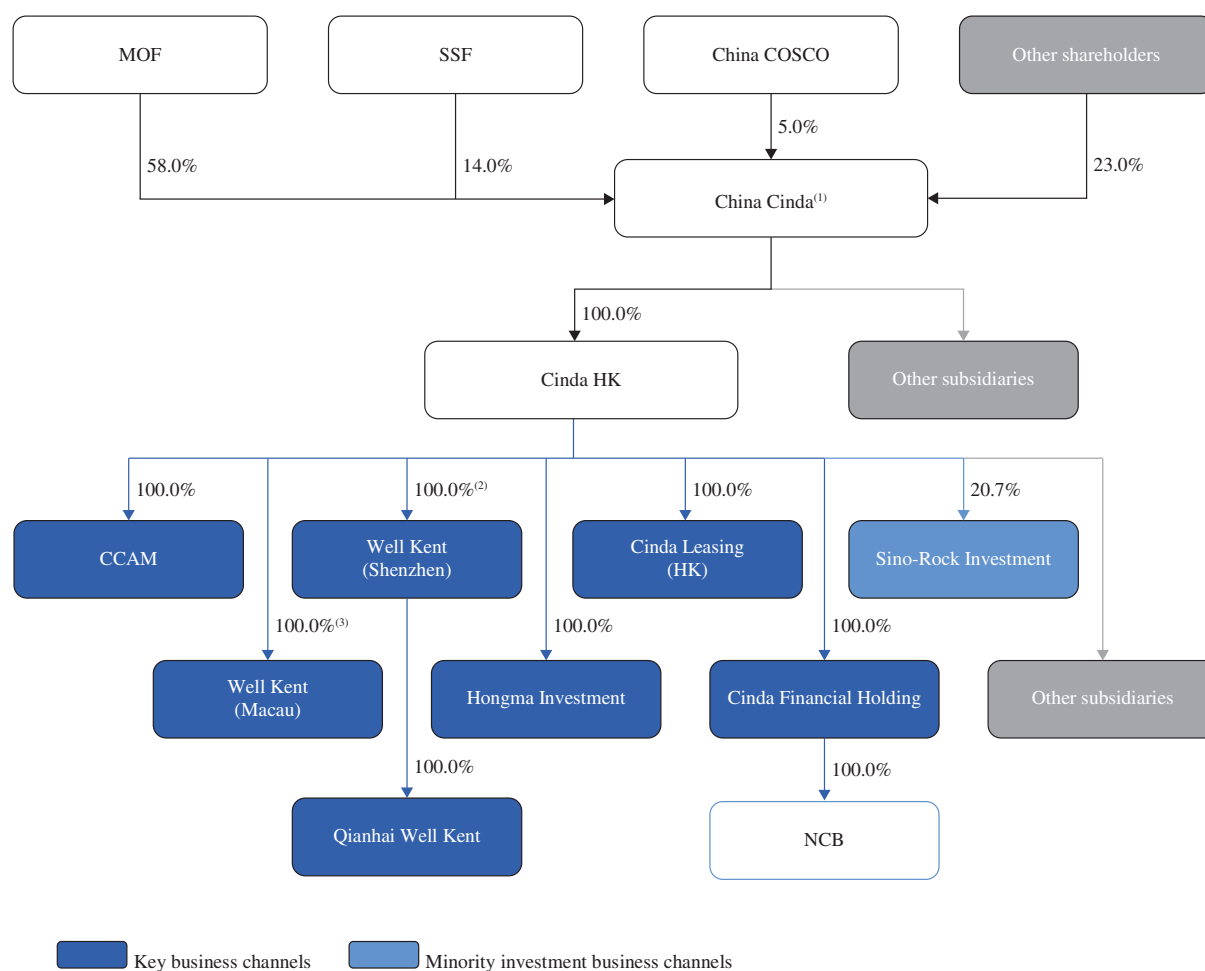
- (1) Since 31 December 2019,
 - (a) the Guarantor has provided guarantee to US\$700 million 2.00 per cent. guaranteed senior notes due 2023 issued on 18 March 2020 by the Issuer;
 - (b) the Guarantor has provided guarantee to US\$500 million 2.50 per cent. guaranteed senior notes due 2025 issued on 18 March 2020 by the Issuer;
 - (c) the Guarantor has provided guarantee to US\$300 million 3.00 per cent. guaranteed senior notes due 2027 issued on 18 March 2020 by the Issuer;
 - (d) the Guarantor has provided guarantee to US\$500 million 3.125 per cent. guaranteed senior notes due 2030 issued on 18 March 2020 by the Issuer;
 - (e) the Guarantor has provided guarantee to RMB2,000 million bonds issued by a subsidiary of Well Kent (Shenzhen); and
 - (f) NCB China has issued a series of certificate of deposit and bonds, including RMB3,000 million bonds issued on 17 December 2020.
- (2) Calculated at the exchange rate of US\$1.00 = HK\$7.7894 on 31 December 2019 as set forth in the H.10 statistical release of the Federal Reserve Board.
- (3) Total capitalization equals the sum of indebtedness and total equity.

Except as disclosed in this Offering Circular, there has been no material adverse change in the Group's capitalisation since 31 December 2019. See "*Description of the Guarantor — Recent Developments*". The Group may from time to time incur ordinary course bank borrowings to finance our operations during its ordinary course of business.

THE HISTORY AND CORPORATE STRUCTURE

CORPORATION STRUCTURE

The following chart sets forth the corporation structure of Cinda HK and the major operating subsidiaries.



Notes:

- (1) China Cinda's shareholding structure as at 30 June 2020; remaining shareholding structure as of 31 December 2020;
- (2) Cinda HK directly holds 100% stakes in Well Kent (Shenzhen) through its wholly-owned subsidiary, Cinda (China) Investment; and
- (3) Cinda HK indirectly holds 100% stakes in Well Kent (Macau) through China Cinda (Macau) and Cinda HK Investment Management Co., Ltd.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer was incorporated as a BVI business company with limited liability on 26 November 2019 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended). Its registered office is located at Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands and its registration number is 2026748. The Issuer is wholly owned by the Guarantor.

BUSINESS ACTIVITY

Under the Issuer's memorandum and articles of association, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes are outstanding, the Issuer will limit its permitted activities as described under "*Terms and Conditions of the Notes*". The Issuer's primary purpose is to act as one of the Group's financing subsidiaries to issue and hold the Notes. The Issuer has no material business nor assets and does not have any employees. In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

The Issuer has elected or will elect to be treated as a disregarded entity solely for U.S. federal income tax purposes, effective on or before the issue date of the Notes.

DIRECTORS AND OFFICERS

The directors of the Issuer are Mr. Huang Qiang and Ms. Cao Yabing. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer.

There are no potential conflicts of interest between any duties of any of the management of the Issuer or the Guarantor to the Issuer or the Guarantor, respectively, and their private interests and/or other duties.

SHARE CAPITAL

The Issuer is authorized to issue up to a maximum of 50,000 shares of US\$1.00 par value each of a single class and series, 10,000 of which have been issued and is fully paid. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

FINANCIAL INFORMATION

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation, execution and issue of the Notes (and the issue of the notes under a U.S.\$2,000,000,000 medium term note programme established on 9 March 2020), and the documents and matters referred to or contemplated in this Offering Circular to which the Issuer is or will be a party and matters which are incidental or ancillary to the foregoing.

Other than those disclosed in this Offering Circular, as at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the Issuer.

The financial year of the Issuer runs from 1 January to 31 December. There has been no material change in the activities of the Issuer since its incorporation.

The Issuer has not prepared any financial statements since its incorporation.

DESCRIPTION OF THE GUARANTOR

OVERVIEW

China Cinda (HK) Holdings Company Limited (“**Cinda HK**” or the “**Guarantor**”), is a wholly-owned subsidiary of Cinda, a leading asset management company (“**AMC**”) in China. Cinda HK is the sole strategic offshore investing and financing platform of Cinda Group (China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (“**China Cinda**” or the “**Parent**”) and its subsidiaries). With a successful track record of more than 20 years, Cinda HK has swiftly achieved its strategic mission, linking Cinda Group with offshore capital markets and paving the way for oversea expansion. Cinda HK is also dedicated to maintaining and enhancing its position as Cinda Group’s overseas platform through consolidating and leveraging the distinct expertise and competitive strengths of its subsidiaries and affiliates, including **NCB**, **CCAM** and other financial institutions licensed for multiple lines of regulated financial activities.

Cinda HK, based on its strong support and indispensable position within Cinda Group, has become one of the most recognised offshore platform among the state-owned AMCs, proven by its credit rating of “A3”, “A-” and “A” from Moody’s, S&P and Fitch, respectively, and is the first offshore platform to receive the same issuer rating as its parent AMC from all three credit rating agencies. The strong support received from China Cinda includes not only liquidity support and credit enhancement but also management support as Cinda HK’s board directors and senior management are appointed by China Cinda which marks strong linkages between Cinda HK and China Cinda. Furthermore, Cinda HK also benefits from NCB’s robust standalone credit profile including adequate capitalisation, sound asset quality, solid liquidity profile and stable profitability.

Cinda HK’s main businesses include banking and non-banking business, and its non-banking business is composed of investment and financing segments. Most of Cinda HK’s revenue comes from its banking business, which is conducted through NCB. Earnings from investment business (including distressed asset related investment, liquidity management investment, and other investments) contribute to a large portion of Cinda HK’s non-banking segment revenue. Distressed assets related investment business is the core of Cinda HK’s investment business that lays a solid foundation for Cinda HK’s sustainable development. Under regulatory guidance of “Returning to the Fundamentals of AMC’s Business (回歸主業)”, Cinda HK actively pursues thematic distressed asset related investment opportunities. Serving as a bridge between China Cinda and overseas distressed asset markets, Cinda HK proactively delivers cross-border solutions to China Cinda and provides it with channels to identify potential investment targets and strategic partners. Through assets acquisition, debt tenor structure adjustment, non-cash repayment, debt-to-equity swap(s) and other restructuring approaches, Cinda HK revitalises the value of distressed assets and realises the investment profits.

Cinda HK possesses a diversified client base in terms of geographical distribution of investment portfolio, industry coverage and investment products. Cinda HK has expanded its global footprint from mainland China, Hong Kong and other “Belt and Road Initiative” countries. As at 31 December 2019, the investments in Hong Kong, mainland of China and other areas account for 36 per cent., 32 per cent. and 32 per cent., respectively of the total investments made by Cinda HK in its non-banking segment.

Leveraging on the strong support and unparalleled resources of China Cinda, Cinda HK will continue to improve the quality of its service to strengthen its market position in Hong Kong and mainland China. It strives to increase the synergic effect both among its own business units and with China Cinda and continues to seek new development opportunities.

RECENT DEVELOPMENTS

Financial Performance for the six months ended 30 June 2020

For the six months ended 30 June 2020, Cinda HK has experienced a decrease in terms of net profit by more than 80 per cent. as compared to the same period in 2019, mainly due to reduction of net interest income and reduction of the fair value of investments and the corresponding impairment made to certain investments as a result of the volatile economy in Hong Kong and mainland China and the adverse impact of COVID-19 on the economic conditions, the credit quality of Cinda HK’s investment and Cinda HK’s

business operation. In particular, Cinda HK holds certain investments relating to the hotel industry, the market value of which has been adversely affected by COVID-19. Cinda HK expects the reduction of the fair value of investments and the corresponding impairment will continue to have an effect but to a lesser extent on its financial results for the full year of 2020.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts for the six months ended 30 June 2020, which have not been audited or reviewed by Cinda HK's auditor, and may be subject to amendments. None of the Dealers, the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the business, financial condition or results of operation of Cinda HK.

As at 30 June 2020, NCB's total consolidated assets, gross advances to customers and deposits from customers were HK\$472,165.53 million, HK\$265,497.67 million and HK\$342,331.51 million, respectively. For the six months ended 30 June 2019 and 2020, NCB's profit after tax was HK\$2,102.36 million and HK\$2,407.52 million, respectively. As at 30 June 2020, NCB's total capital adequacy ratio was approximately 20.00 per cent., and its loan to deposit ratio was approximately 77.56 per cent. For the six months ended 30 June 2019 and 2020, the average value of NCB's quarterly liquidity coverage ratio was 154.16 per cent. and 150.00 per cent., respectively; its annualised return on average assets was 0.84 per cent. and 1.00 per cent., respectively; and its annualised return on average equity was 8.38 per cent. and 9.01 per cent., respectively.

As at 30 June 2020, NCB offered a broad range of banking and related financial services in Hong Kong through a network of 43 branches strategically located to provide coverage for the core districts on Hong Kong Island, Kowloon and the New Territories. In terms of NCB's operations in mainland China, NCB had in total 37 branches/sub-branches in the PRC as at 30 June 2020.

Impact of COVID-19

The outbreak of COVID-19 and the resulting impact on financial market have had adverse impact on Cinda HK's financial performance. In the first half of 2020, both in China and globally, business activities were delayed or largely suspended, which created high uncertainties and volatilities in the financial markets. The market value of assets and trading of the stocks and bonds in the secondary market were adversely affected. Various restrictions caused by the pandemic and the economic conditions posed challenges to Cinda HK to sustain financial growth. As the COVID-19 situation has alleviated in mainland China, Cinda HK has seen a recovery of its regular business activities since the second half of 2020. The secondary market has also seen a recovery from its first quarter performance. Cinda HK does not expect material effect on its operating cash flow. It is of the view that its overall financial and business positions remain sustainable. However, due to the ongoing impact of COVID-19, Cinda HK expects the COVID-19 pandemic to have an adverse impact on its overall financial performance for the full year of 2020.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts for the six months ended 30 June 2020, which have not been audited or reviewed by Cinda HK's auditor, and may be subject to amendments. None of the Dealers, the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the business, financial condition or results of operation of Cinda HK.

In the face of the COVID-19 outbreak and complex macro-political and economic environment both domestically in the PRC and internationally, Cinda HK will leverage its competitive strengths to actively expand its rich and diversified financing channels, fully utilises its established close strategic and cooperative partnerships, and further strengthen its relationships with the onshore and offshore major financial institutions to keep its competitive position. Cinda HK will also actively facilitate the relief measures rolled out by the PRC government and the Hong Kong government during the pandemic, overcome difficulties and contain the pandemic. Cinda HK will continue to manage its business operations during the pandemic, and closely monitor and reduce the impact of the pandemic on customers and its investment.

Acquisition of Zhongchang International Holdings Group Limited (“Zhongchang International”)

On 18 October 2019, CCAM acquired a 74.98% interest in Zhongchang International, a Bermuda incorporated company listed on the Hong Kong Stock Exchange. Zhongchang International is engaged in property leasing and development, and provision of property management services. The acquisition was made for the reason of an enforcement action taken by CCAM in connection with a HK\$700 million loan facility made by CCAM to the immediate holding company of Zhongchang International as the borrower. Due to the continued occurrence of certain events of defaults of the borrower, CCAM, as the lender and the security agent under the abovementioned facility, took enforcement action on 18 October 2019 in accordance with the terms of a share mortgage over 843,585,747 shares in Zhongchang International, representing approximately 74.98% of the total shares of Zhongchang International then issued. Since the acquisition, HK\$6,790,000 of revenue and HK\$48,185,000 of loss after tax of the acquiree were included in the Guarantor’s consolidated statement of profit or loss for the year ended 31 December 2019. For more information on the financial effects of the acquisition, please refer to note 49 of the consolidated financial statements of the Guarantor as of and for the year ended 31 December 2019.

As at 30 June 2020, CCAM held 86.13% interest in Zhongchang International.

HISTORY AND DEVELOPMENT

The following table set forth the key development milestones in the Guarantor’s history:

1998	Well Kent International Investment Company Limited (華建國際投資有限公司) (the predecessor of Cinda HK) was incorporated in Hong Kong and in charge of managing the distressed assets in Hong Kong and Macau held by China Construction Bank and the assets in Hong Kong held by China Agribusiness Development Trust & Investment (Hong Kong Holdings) Company, Limited (中國農村發展信託投資(香港集團)有限公司).
2000	The governing authority of Well Kent International Investment Company Limited (華建國際投資有限公司) was transferred from China Construction Bank (中國建設銀行股份有限公司) into China Cinda and the assets in custody were injected in China Cinda as capital.
2006	Well Kent International Investment Company Limited successfully disposed of most of the distressed assets previously held through asset restructuring, packaging, and re-investment, and it started gradually shifted its business focus from distressed assets disposition to assets management and offshore investing and financing.
2008	Well Kent International Investment Company Limited reorganised, established and acquired a number of enterprises and affiliates to further expand its businesses and product offerings, including Silver Grant International Industries Limited, Sino-Rock Investment, Cinda International Holdings Limited (信達國際控股有限公司) (“ Cinda International ”), China Fortune Financial Group Limited (中國富強金融集團有限公司), Well Kent (Shenzhen) and Zhejiang Province Construction of Real Estate Development Company (浙江省建設房地產開發公司), the predecessor of Zhejiang Cinda Asset Management Co., Ltd. (浙江信達資產管理有限公司). The acquisition of Well Kent (Shenzhen) and Well Kent (Shenzhen) acted as pivot points for cross-border linkage and asset management business of the Company. The establishment of Sino-Rock Investment and acquisition of Cinda International became the starting point of the Company’s offshore private equity investment and investment banking business.
2012	Well Kent International Investment Company Limited successfully issued RMB2 billion offshore bonds with the tenor of three years, being the first financial assets management company to issue RMB offshore bonds (via its offshore subsidiary).
2013	China Cinda was successfully listed on the main board of the Hong Kong Stock Exchange.

- 2014 Well Kent International Investment Company Limited changed its name into China Cinda (HK) Holdings Company Limited.
- 2014 Cinda HK successfully issued U.S.\$1.5 billion offshore bonds in accordance with Regulation S under the Securities Act and 144A Rules. Cinda HK is the first offshore strategic platform of asset management companies in the PRC to issue the USD denominated bonds in accordance with 144A Rules.
- 2016 Under the assistance from China Cinda, Cinda HK completed on the acquisition of NCB which brings strong synergistic effect to the developing prospects, profit potential and competitive strength to Cinda Group.
- 2016 Cinda HK established Hongma Investment in Shanghai Free Trade Zone.
- 2016 Cinda HK had actively expanded cross-border business around its core business, aligned with the offshore capital market, and served the business needs of distressed assets and targets in China, under prudent investment strategies and risk appetite in line with regulations and regulatory guidance. Cinda HK’s assets and earnings had witnessed a speedy and steady growth during the period, and Cinda HK has become China Cinda’s only “strategic offshore investment and financing platform, cross-border business execution platform and asset management platform”.
- 2018 Cinda HK has been actively and gradually returning to its main business, distressed assets management, leveraging the synergies realised through comprehensive business operation in both domestic and offshore markets to improve its cross-border interlink business offerings, support the real economy in full force, and assist mitigating the domestic financial risks in accordance with the regulatory guidance and Cinda Group’s guideline.
- 2019 In November 2017, China Cinda announced its proposed transfer of 403,960,200 shares in Cinda International, representing approximately 63% of the voting right of Cinda International originally held by a wholly owned subsidiary of Cinda HK, to Cinda Securities, another wholly owned subsidiary of China Cinda. This internal restructuring was to streamline the equity investment relationship within Cinda Group and to strengthen the synergy effect of domestic and overseas securities businesses of Cinda Group with a focus to developing its securities business. This internal restructuring was completed in June 2019.

AWARDS

Cinda HK’s proven track record is also demonstrated by the numerous awards that it has received, including, amongst others, the “Caring Company” granted by the Hong Kong Council of Social Service on 1 March 2019 and “2018/19 Good MPF Employer Award” from the Mandatory Provident Fund Schemes Authority.

COMPETITIVE STRENGTHS

Cinda HK believes that the competitive strengths set out below differentiate it from other industry participants and have enabled it to compete effectively and seize growth opportunities.

Cinda HK is a leading overseas platform among the large AMCs

Cinda HK is a leading business platform among overseas subsidiaries of the state-owned AMCs’ in terms of total asset, equity, and profit contribution to their respective parent companies. Supported by China Cinda and its other nation-wide branches and subsidiaries, Cinda HK realised effective synergies by sharing core resources of Cinda Group. As at 31 December 2018 and 2019, Cinda HK had total assets of approximately HK\$596,838 million and HK\$623,907 million, respectively. For the years ended 31 December 2018 and 2019, Cinda HK’s total income was HK\$20,450 million and HK\$22,111 million, respectively. For the years ended 31 December 2018 and 2019, Cinda HK’s profit for the period was HK\$2,347 million and HK\$1,734 million, respectively.

Cinda HK has strong support from China Cinda

China Cinda was established as a wholly state-owned non-bank financial institution with the goal of effectively mitigating financial risk, maintaining financial stability and expediting the reform and

development of state-owned banks and enterprises. It was the first AMC to acquire, manage and dispose non-performing loans of state-owned banks.

Based on the strong support from the PRC government, China Cinda has grown into a leading AMC that focuses on distressed asset management, financial investment and asset management and other financial services. China Cinda covers a wide range of financial services and owns a full array of financial licences through itself and its subsidiaries in the business segments of distressed asset management, life insurance, financial leasing, trust, securities, funds, investment and asset management. China Cinda is assigned a rating of “A3” by Moody’s, a rating of “A” by Fitch and a rating of “A-” by S&P. With great support from China Cinda, Cinda HK has received the same credit rating as China Cinda from the all three credit rating agencies, being the only offshore subsidiary with the same credit rating, from all three credit rating agencies, as that of the parent company among the state-owned AMCs. As at 30 June 2020, China Cinda’s total assets stood at RMB1,531,817.5 million and for the six months ended 30 June 2020, China Cinda has achieved a total income of RMB45,819.9 million.

Cinda HK benefits from the strong support from China Cinda in the following ways:

- **China Cinda has effective control and management over Cinda HK.**

China Cinda provides strategic support to Cinda HK since its establishment in terms of corporate governance, risk and internal control management, business and human resources as well as other businesses functions, and provides advice to Cinda HK on corporate governance matters and assists Cinda HK in establishing and improving the risk information management framework.

- (a) *Effective risk information reporting mechanism:* Cinda HK’s risk management department reports regularly to China Cinda’s risk management department with regards to information on regular market risk, customer credit risk, liquidity risk and operation risk.
- (b) *Regular monitoring mechanism combined with periodic evaluation:* Cinda HK submits a risk self-assessment report to China Cinda risk management department on a quarterly basis. In addition to the primary risk information evaluation, the evaluation indicators also include the regulatory requirements of the industry, the status quo of the industry development and the overall development strategy of Cinda Group.
- (c) *Field inspections, research, management conference mechanism:* The risk management committee and the chief risk officer in the board of directors of China Cinda conduct field investigation and inspection on Cinda HK’s risk management from time to time. The director in charge of risk controls will convene management conferences to notify Cinda HK of the major risks that it may face and instruct Cinda HK on its specific risk management and control.
- (d) *Supervision on compliance with the industrial requirements:* Cinda HK’s business is subject to strict government and industry supervision as well as relevant regulatory requirements and assessment indicators. Cinda HK complies with these regulatory requirements and guideline, which is the cornerstone of Cinda HK’s risk management.
- (e) *Supervision on risk management on human resources:* The chief risk management officer of Cinda HK, who is directly appointed by China Cinda, reports to both the general manager (president) of Cinda HK and the director of risk management department of China Cinda.
- (f) *Risk assessment criteria and risk management guidelines:* Cinda HK’s risk assessment information is reviewed by China Cinda’s risk management department and incorporated as evaluation criteria into Cinda HK’s assessment system, which directly relates to final performance appraisal and remuneration of Cinda HK’s management.

(g) *Supervision on investment decisions*: Cinda HK has formulated and promulgated standardised procedures in making investment decisions, which include project proposal application, project proposal approval, due diligence, risk assessment, valuation, major projects pre-communication, acquisition program formulation and project approval. For more information on its investment risk management, please see “*Description of the Guarantor — Internal Control and Risk Management — Investment Risk Management*.”

- **China Cinda provides strong liquidity and financial support to Cinda HK.**

(a) *Capital injection from the Parent*: China Cinda gave sufficient capital injection into Cinda HK. In particular, the capital injection from China Cinda helped Cinda HK to complete the acquisition of NCB.

(b) *Promising liquidity planning*: Cinda HK formulates and promulgates the promising liquidity planning in accordance with the guidance of Cinda Group. China Cinda will provide liquidity support when Cinda HK encounters any financial difficulties.

(c) *Sufficient credit facility quota from the commercial banks and other financial institutions*: Cinda HK has a prestigious reputation and keeps good relationship with the commercial banks and other financial institutions. Cinda HK is able to obtain the sufficient credit facility quota to support its business expansion and development. Moreover, Cinda Group, as a whole, has the one of the highest credit limits among the AMC’s in the commercial banks and financial institutions, which helps Cinda HK obtain loans and credit facilities in the ordinary course of business.

- **China Cinda has great synergies with NCB.**

In May 2016, China Cinda, through Cinda Financial Holdings, a wholly owned subsidiary of Cinda HK, acquired NCB. Upon completion of the acquisition, NCB became a wholly-owned subsidiary of Cinda HK and the financial results of NCB have been consolidated into the Cinda Group’s consolidated financial statements since 30 May 2016. The acquisition has generated considerable synergies for Cinda Group as a whole by developing NCB into an important platform for Cinda HK’s integrated financial services. Cinda HK currently conducts banking business in Hong Kong and mainland China through NCB and NCB’s wholly-owned subsidiary, Nanyang Commercial Bank (China) Limited (the “**NCB China**”).

Cinda HK believes that the synergy with NCB can be shown in the following six aspects:

(a) *Customer resources synergy*: customers of China Cinda’s distressed assets business and NCB’s banking business complement each other and form a whole-cycle coverage. NCB can leverage on the brand recognition and clientele of China Cinda to achieve an upscale of its customer base, increase customers’ loyalty and attract more high net worth customers.

(b) *Product innovation synergy*: the integration of China Cinda’s asset management business and NCB’s banking business creates the synergy in the development of financial products with an integrated solution satisfying customers’ needs.

(c) *Business network synergy*: As at 31 December 2019, China Cinda had 33 branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in the PRC and eight subsidiaries as platforms for providing distressed asset management and financial services in the PRC and Hong Kong, forming a nationwide business network in China. China Cinda will assist NCB in expanding its onshore and offshore business network.

(d) *Business sector synergy*: the distressed asset management business of China Cinda is closely related to the businesses of commercial banks in terms of the financing needs of customers, investment and management of funds and collection of outstanding loans. With the support from China Cinda’s wide range of licences for providing financial services and extraordinary product development capabilities, NCB can further develop its intermediary businesses through cross selling efforts with China Cinda and fully capturing the business potential in China Cinda’s distressed asset management customers.

- (e) *Risk management synergy*: with strong support from China Cinda through sharing its experience in risk identification, risk mitigation and risk management, NCB is expected to enhance its distressed assets disposal mechanism and improve its own risk management capabilities.
- (f) *Regulatory/supervisory resources synergy*: NCB makes full use of the mass resources of China Cinda, actively seeks support from regulatory authorities, and accurately understands the regulatory changes.

Cinda HK is an indispensable investment and financing strategy platform.

In the foreseeable future, as Cinda Group's sole strategic offshore platform of investing, financing and debt issuance, the unique role of Cinda HK will not be substituted by Cinda Group's other subsidiaries. The strategic significance of Cinda HK will be further consolidated.

The Group believes that Cinda HK is a vital puzzle piece for China Cinda's integration into global capital markets, not only because Cinda HK is responsible for due diligence and transaction structuring for most offshore investments made by China Cinda but also because Cinda HK actively explores promising overseas investment opportunities and maintains stable business operation. Cinda HK plays an important role in the overall situation of economic transformation by identifying more opportunities in the foreign distressed assets management and keeps itself at an advantageous position even in the circumstance of the structural change in the PRC. In particular, Cinda HK plays a crucial role in supporting the "Belt and Road Initiative," China enterprises "Go Global", market integration plan of the Guangdong-Hong Kong-Macao Greater Bay Area and other national initiatives. Cinda HK generates synergies within Cinda Group by collaborating with China Cinda, branch offices, China Cinda's other subsidiaries and affiliates within the Group in cross-border investment, financing, M&A activities and other investment opportunities, serving as a bridge between the domestic and overseas businesses of Cinda Group. The coordination of the Group's onshore and offshore funding plans through offshore capital further facilitates the Group's onshore growth and strategy execution.

The importance of Cinda HK within the Cinda Group can also be seen from its financial contributions. As at 31 December 2018 and 2019, Cinda HK's total assets account for 35.0 per cent. and 36.9 per cent., respectively of Cinda Group's total assets. For the years ended 31 December 2018 and 2019, Cinda HK's net profits for the periods account for 16.7 per cent. and 10.2 per cent., respectively of Cinda Group's net profits for the periods. Cinda HK ranks as the first offshore platform among the state-owned AMCs in terms of economic contribution to the parent company.

Cinda HK is the key platform of the Parent to engage in offshore asset management business, conduct overseas financing and provide offshore financial services. As an overseas investment platform of a prestigious state-owned financial institution, Cinda HK benefits from its Parent's broad customer base, strong credit support and rich industry experience in the financial industry. The corporate synergy of Cinda Group equips Cinda HK with advantages in project screening and business negotiation comparing with financial institutions without strong shareholder support. Cinda HK primarily competes with investment companies with similar shareholding background and international asset management companies in product and service offerings, service quality, financial strength and brand recognition. In such a competitive market, Cinda HK intends to stabilise its overseas assets, optimising its business structure and implementing strategic initiatives to distinguish itself from its competitors. Cinda HK is dedicated to strengthening its position as an overseas platform of its Parent through its equity interest and investment in CCAM, NCB and other financial enterprises with multiple licenses for financing businesses.

Cinda HK has continuously expanded its financing channels, secured long-term and stable sources of financing and actively explored the business model of a balanced investment portfolio.

Cinda HK has sought to optimise its investment portfolio so as to strike a better balance between risk and return. In terms of the investment asset-class breakdown, as at 31 December 2019, the equity investment and the fixed income investment held by Cinda HK accounts for 64 per cent. and 36 per cent. respectively of the investment assets. In terms of geographical investment breakdown, as at 31 December 2019, the investments in Hong Kong, mainland of China and other areas account for 36 per cent., 32 per cent. and 32 per cent., respectively of the total investments in its non-banking segment.

Cinda HK has a robust and comprehensive risk management system and has continuously strengthened its risk management culture.

With reference to China Cinda's risk management policies, Cinda HK has established internal regulations to provide risk management guidelines for its operations and staff. These include the "Measures for Overall Risk Management" (全面風險管理辦法), the "Measures for Credit Risk Management" (信用風險管理辦法), the "Measures for Market Risk Management" (市場風險管理辦法), the "Measures for Liquidity Risk Management" (流動性風險管理辦法) and the "Measures for Operational Risk Management" (操作風險管理辦法). Cinda HK has accumulated valuable experience as well as capabilities to identify, measure and control various types of risks. Through effective risk management processes and effective risk-protection measures, Cinda HK effectively identifies and mitigates risks.

- **Market risk control and management:** Cinda HK has comprehensive market risk control and management mechanism and timely report mechanism for stock price and exchange rate fluctuation. With the comprehensive market risk management mechanism, Cinda HK will make sure the market risk exposure is contained at an acceptable and reasonable scale. Cinda HK has established a rigid market risk control and management system, including limit control on quota, access, stop-loss, profit locking and concentration.
- **Credit risk control and management:** Cinda HK timely supervises the operation situation of its customers and leverages on the risk assessment and mitigation tools to control the credit risks. Furthermore, Cinda HK classifies its fixed-income investments into five different levels and risks hidden in its projects will be effectively assessed and monitored.
- **Operation risk control and management:** Cinda HK continuously strengthens its internal control system and operation risk management system. It delivers the training to its employees in relation to the compliance and legal awareness, monitors Cinda HK's operation to prevent any significant regulatory incompliance and material operation incidents from occurring. As at the date of this Offering Circular, there was no significant event in relation to operational risks in Cinda HK.
- **Liquidity risk control and management:** Cinda HK implements effective liquidity risk management mechanism by monitoring the maturity profile of its liabilities and ensuring the timely repayment and full recovery of its funds investment. Cinda HK implements liquidity risk control with the focus on strengthening budget management, expanding financial channels and improving the effectiveness of its capital operation.

Cinda HK has an entrepreneurial and visionary management team.

The Guarantor's senior management are experienced and entrepreneurial, with strategic vision and excellent leadership. The Guarantor's senior management successfully led the Guarantor in completing the transformation from a pure-play distressed asset disposal company to a professional asset manager and comprehensive financial services provider. The Guarantor's senior management have, on average, more than 20 years of management experience related to the financial industry. In particular, the Guarantor's senior management have taken important positions in PBOC, state-owned commercial banks and AMCs. The Guarantor's senior management have an in-depth and unique understanding of the macroeconomic environment and financial system of China. The Guarantor's senior management have also served in Cinda Group for more than 20 years and has in-depth understanding of the operation and management of the Guarantor.

STRATEGIES

Cinda HK focuses on distressed assets related investment business under the principle of "Returning to the Fundamentals of AMC's Business (回歸主業)" which lays a solid foundation for Cinda HK's other business. Cinda HK is also dedicated to further leverage its expertise to solidify its function as the "Three Platforms", the overseas investment platform, overseas financing platform of China Cinda and overseas asset management platform of Cinda Group.

Expand and strengthen business development with a focus on distressed asset management

Cinda HK continuously strengthens and remains its focus on distressed assets related investment business by increasing both the scale and weight of its distressed asset portfolio. While maintaining its differentiated and distinct focus on the distressed assets related investments, Cinda HK aims to selectively expand its business footprint to emerging industries and further optimise the business structure. Simultaneously, Cinda HK, through sound liquidity management investment in the secondary market, will continue to satisfy the liquidity needs of itself.

Cinda HK will actively adjust the structure of its balance sheet while expanding the overall balance sheet steadily, strengthen its distressed assets related business, and maintain profitability to facilitate Cinda HK's stable and sustainable development. By improving its own investment capabilities and leveraging its extensive experiences and expertise in this industry, Cinda HK will attract more third-party capital and create a new development mode with high-quality assets and investment management capabilities. Cinda HK aims to reduce the investment return volatility, strives to improve the liquidity position and allocates more resources to distressed asset management related business. Cinda HK will focus more on the main business operation while diversifying the strategic layout and exploring its full spectrum of business.

Highlight the function of the “Three Platforms”

The “Three Platforms” strategy is an essential part of Cinda HK's overall business strategy. As an indispensable overseas investment and financing platform of Cinda Group, the unique role of Cinda HK will not be substituted by Cinda Group's other subsidiaries. Leveraging its function as the “Three Platforms”, Cinda HK will emphasise on the overseas asset allocation and cross-border capital operations. Cinda HK aims to implement a customer-focused strategy to satisfy the increasing demands from its customers for cross-border financing services and further improve its customer services capabilities, thereby optimising its revenue composition and enhancing its brand recognition overseas. Cinda HK will continue to drive sustainable growth through business innovation and client-focus services, cross-border business development and synergies between its domestic and overseas businesses.

BUSINESS OF CINDA HK

Cinda HK provides the clients with comprehensive financial products and services through the integrated financial services platform and differentiated asset management platform. Cinda HK's main business segments include banking business and non-banking business. For the year ended 31 December 2018 and 2019, Cinda HK's revenue was approximately HK\$20,450 million and HK\$22,111 million, respectively. The following table sets forth a breakdown of Cinda HK's revenue for the periods indicated:

	For the year ended 31 December			
	2018		2019	
	(HK\$ million)	%	(HK\$ million)	%
Revenue				
Banking business	16,126.44	78.86	17,359.15	78.5
Non-banking business	4,323.97	21.14	4,752.20	21.5
Total revenue	<u>20,450.41</u>	<u>100.00</u>	<u>22,111.35</u>	<u>100.00</u>

Banking Business

Cinda HK conducts banking business in Hong Kong and mainland China through NCB and its subsidiaries (including NCB China), including 37 branches/sub-branches in the PRC and 43 branches in Hong Kong as at 30 June 2020. NCB, as a leading commercial bank in Hong Kong with extensive branch network and exceptional financial performance, is the only foreign bank controlled by the state-owned AMC and the only banking subsidiary that has a nationwide branch network in China controlled by the state-owned AMC. Through NCB, Cinda HK offers a comprehensive range of personal and commercial banking services to retail and corporate customers.

Supported by China Cinda and leveraging its multiple financial licenses covering a full suite of regulated financial activities, Cinda HK provides flexible, customised and diversified financing products for the clients through the financial services platform comprised of NCB and financial leasing companies. Cinda HK has established a comprehensive financial service eco-system capable of meeting the needs of the clients throughout the business lifecycle and the entire value chain. For more information on the banking business, please see “*Description of the Guarantor — Key Subsidiaries — NCB.*”

Non-banking Business

Non-banking business of Cinda HK includes investment business and financing business. Cinda HK’s investment business can be categorised as distressed assets related investment business, liquidity management investment and other investment.

The investment business serves as an important platform for providing clients with a comprehensive array of diversified asset management, investment and financing services, which enhances the overall profitability of the distressed asset management business and improves the business and income structures of Cinda HK. The financing business of Cinda HK primarily focuses on supporting financing needs of overseas projects of China Cinda by raising funds in offshore capital markets.

Investment Business

Cinda HK and its subsidiaries serve as Cinda Group’s overseas business platform. It collaborates with China Cinda, Cinda Group’s domestic branches and other subsidiaries and primarily invests in distressed assets related targets, secondary market for liquidity management and other areas. Cinda HK primarily invests in Hong Kong and mainland China.

For the investments business, Cinda HK has adopted a stringent risk management system to keep its investment risks within a reasonable level. Cinda HK closely monitors its investment periods to minimise the portfolio maturity mismatch and maintain a good liquidity position. Based on market conditions, Cinda HK actively adjusts its investment strategies and assets allocation between defensive and conservative approaches so as to maximise the risk-adjusted return.

Distressed Assets Related Investment Business

Distressed assets related investment business is the core of Cinda HK’s investment business and an important source of its income. Cinda HK has established a robust and efficient operational system, cultivated a diligent and professional execution team and developed sound risk management capacities and risk-based pricing capacities. Leveraging the outstanding professional techniques, extensive experience in capital operation and large client base accumulated over the years, Cinda HK is able to achieve the appreciation of distressed assets.

Cinda HK effectively alleviates the short-term financial burden of target assets through asset acquisition, debt maturity restructuring, non-cash repayment etc., to revitalise distressed assets and realise investment return. Under the principle of “Returning to the Fundamentals of AMC’s Business (回歸主業)”, Cinda HK actively pursues thematic distressed asset related investment opportunities.

Cinda HK, as a bridge connecting the domestic overseas distressed assets markets, provides Cinda Group with the approach of cross-border solutions and the opportunities in terms of introducing the overseas distressed assets projects and cooperative partners.

Cinda HK’s asset management business refers to the business in which Cinda HK’s subsidiaries act as managers in the business model of adopting special purpose vehicles, such as private funds (mainly in the form of limited partnerships and limited liability companies), and raising external funds for co-investment, in order to earn management fees income and carried interest.

Liquidity Management Investments

To satisfy its liquidity needs, Cinda HK adopts a prudent investment approach to explore the liquid investment portfolios in Hong Kong’s capital market and mainly invests in secondary market equities or fixed income products with high liquidity.

Other Investments

Cinda HK invests in the selected industries in domestic and overseas markets, such as “New Economy” related industries and real estate, through various types of instruments for financial consideration. Cinda HK has been rationalising the size of other investments as it shifts its focus back to its core business of distressed asset management.

Cinda HK’s principal investments in funds are primarily made as seed capital in funds managed by Cinda Group, in order to enact third-party funds and to support the development of Cinda HK’s asset management business. Cinda HK is responsible for the management of these funds. As a result, Cinda HK’s own capital investments in these funds may enhance the alignment of interests between the fund manager and the investors. Furthermore, the confidence of investors involved in such funds under Cinda HK’s management may also be increased through the joint investment. These will in turn attract third-party investors to make further investments. Cinda HK invests in debt securities directly or through investment funds and it invests in wealth management products from banks and securities companies, as well as trust products.

Cinda HK invests in the field of loans, bonds, mezzanine capital, IPO, additional equity issuance and allotment and private equity in order to provide financial support to high-quality entrepreneurs in each development phase. Cinda HK engages in equity investments related to distressed assets, although with different focuses. Relying on listed companies and capital market, Cinda HK mainly engages in the restructuring or liquidation projects of distressed assets or distressed entities that involve cross-border transaction, and the investment and financing projects involving cross-border industrial restructuring and M&A coordinated with Cinda Group. Cinda HK took part in strategic investment and pre-IPO investment in large state-owned company projects. For more information on its investment management business, please see “*Description of the Guarantor — Key Subsidiaries — CCAM.*”

Financing Business

Cinda HK, as Cinda Group’s sole offshore strategic financing platform, undertakes the mission of connecting China Cinda to offshore capital markets. The financing needs of China Cinda’s overseas projects can be satisfied through capital raising by Cinda HK in offshore capital markets. By leveraging its extensive experience in offshore capital markets, Cinda HK continues to assist China Cinda to meet its foreign currency allocation needs through overseas bonds issuance and syndicated loans.

Cinda HK, as Cinda Group’s key overseas bonds issuance platform, issues midterm/long-term debts, high quality assets and structured fixed income products to further stabilize and optimise the company’s capital structure.

Key Subsidiaries

NCB

NCB commenced its business in 1949, and it is one of the oldest local banks in Hong Kong, with highly recognised brand awareness, extensive branch network, stable and loyal customer base, expertise in providing cross-border services and robust financial conditions. As at 31 December 2019, NCB’s total consolidated assets, advances to customers and deposits from customers were HK\$489,588.85 million, HK\$263,103.23 million and HK\$345,887.78 million, respectively. For the selective financial information on NCB’s as at 30 June 2020, please refer to “*Description of the Guarantor — Recent Developments.*”

As at 30 June 2020, NCB offered a broad range of banking and related financial services in Hong Kong through a network of 43 branches strategically located to provide coverage for the core districts on Hong Kong Island, Kowloon and the New Territories. In terms of NCB’s operations in mainland China, NCB had, in total, 37 branches/sub-branches in the PRC as at 31 December 2019. NCB’s PRC businesses are operated through NCB (China), which is a PRC-incorporated bank with its headquarters in Shanghai. NCB (China)’s business network covers the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, with branches/sub-branches in major cities in the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen and Guangzhou.

In 2007, NCB established NCB (China) as a PRC-incorporated bank. NCB's branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of NCB's PRC presence. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities. As at the date of this Offering Circular, NCB (China) has obtained the relevant licences for operating in the PRC its cross-border Renminbi business, foreign exchange settlement business, credit card business, derivatives business, insurance business, offshore wealth management business, investment fund business, interbank lending business, gold trading business and currency swap business.

NCB became a wholly-owned subsidiary of Cinda HK and China Cinda in 2016, which allowed Cinda HK and China Cinda to achieve additional financial and operational stability through its integration with a well-established commercial bank in Hong Kong, strengthen its leading advantage of the distressed asset management business and create an integrated asset management and financial services brand name. It was also an important step in NCB's development and holds huge significance for the future development of NCB as a core banking platform within Cinda Group.

As at 31 December 2018 and 2019, NCB's total capital adequacy ratio was approximately 18.70 per cent. and 21.73 per cent., respectively, compared with the statutory minimum requirement of total capital adequacy ratio of 8.0 per cent., and its loan to deposit ratio was approximately 74.08 per cent. and 76.07 per cent., respectively. For the years ended 31 December 2018 and 2019, the average value of NCB's quarterly liquidity coverage ratio was 147.72 per cent. and 154.97 per cent., respectively. For the selective financial information on NCB's as at 30 June 2020, please refer to "*Description of the Guarantor — Recent Developments*".

For the years ended 31 December 2018 and 2019, NCB's profit after tax was HK\$3,977.50 million and HK\$3,951.30 million, respectively. For the years ended 31 December 2018 and 2019, NCB achieved a return on average assets of approximately 0.76 per cent. and 0.73 per cent., respectively, and a return on average equity of approximately 7.74 per cent. and 7.30 per cent., respectively. For the selective financial information on NCB's as at 30 June 2020, please refer to "*Description of the Guarantor — Recent Developments*".

CCAM

CCAM is Cinda HK's principal investment platform. CCAM and its subsidiaries provide financial support to mainland China, Hong Kong and oversea companies primarily through equity investments, debt investments and mezzanine financing. Over the years, Cinda HK, through CCAM, has successfully participated in various investment opportunities over the world, with a future focus on "Belt and Road Initiative" countries.

CCAM invests in debt securities by means of providing loans to enterprises and/or subscribing debt securities in public offerings and private placements. It generates profits from interest rate spreads and increased value of collaterals and pledged shares received in repayment of debt.

CCAM also engages in equity investment and generates income from dividend payments and disposal of its equity holdings. It primarily invests in high yield dividend stocks and undervalued stocks to ensure high profitability. CCAM focuses on companies with the following characteristics: (i) companies with favourable industry outlook; (ii) companies at growing or maturity stage that generate steady income; (iii) companies with clear ownership structures, good corporate governance and quality management teams; (iv) projects satisfying a target IRR, except for those that may provide it with additional investment opportunities or opportunities to provide financial services or those that satisfy Cinda Group's asset allocation needs; and (v) investments with clear and favourable exit options.

Leveraging Cinda Group's extensive experience in distressed asset management, CCAM also engages in counter-cyclical investments. The integration and synergistic collaboration of distressed asset management business and investment management business are well demonstrated by CCAM's real estate financing business. In a typical distressed asset management business, the acquirer of distressed assets receives collaterals, and in this case, real estates in satisfaction of the debt. CCAM invests in real properties with

defects. To enhance the value of defected real estate collaterals, it adopts various investment and financing solutions such as follow-on investments and property development so as to maximise the disposal value of such properties. Furthermore, CCAM invests in well-managed real estate projects in the form of equity investment, mortgage financing and mezzanine financing.

In addition to traditional sectors such as real estate, CCAM has increasingly focused on investments in the following industries: (i) Internet Plus, (ii) new energy and (iii) high-end manufacturing and consumption, such as pharmaceutical companies and medical products.

SYNERGY

Achieving synergy across business platforms is one of the strategic priorities of Cinda HK and has become an integral part of the culture embodied in Cinda Group's "One Cinda" principle. Cinda HK has continued to optimise its diversified business platforms and has sought to continuously enhance its enterprise value through synergistic collaborations with the Parent and its other subsidiaries. Leveraging Cinda Group's advantages over asset management and multi-licensed platform, Cinda HK has developed extensive and diversified project lines which enable Cinda HK to provide customers with a wider range of services than those from traditional financial institutions. Cinda HK synchronises the strategic positioning of China Cinda and its subsidiaries with Cinda Group's overall strategy, and it has built the success of business collaboration into its evaluation mechanisms.

Cinda Group's centralised brand management contributes to the establishment of Cinda HK's position as a professional financial service provider and offers strong brand support for the development of the existing and future business.

COMPETITION

Cinda HK primarily operates in Hong Kong and the PRC where the financial services market is highly competitive. Cinda HK mainly competes with non-banking financial institutions and alternative investment companies in the relevant markets. Cinda HK competes with its competitors in terms of brand recognition, marketing and sales capabilities, service quality, financial strength, product and services portfolio, and pricing. Please refer to "*Risk Factors — Risks relating to Cinda HK's overall business — Cinda HK faces intense competition and its businesses could be materially and adversely affected if it is unable to compete effectively.*"

EMPLOYEES

As at 31 December 2019, Cinda HK had 99 employees, of which 41 employees held a bachelor's degree, 47 employees held a master's degree and three employees held a doctorate degree or above. Cinda HK is committed to recruiting, training and retaining skilled and experienced employees. Cinda HK intends to achieve this by offering competitive remuneration packages as well as by focusing on the training and career development of its employees.

INTERNAL CONTROL AND RISK MANAGEMENT

Cinda HK is committed to establishing a comprehensive internal risk management system that is integral to its business operations. Regarding risk management, Cinda HK has established and further strengthened a robust corporate governance structure and internal control policies since the acquisition of NCB. Cinda HK has built a prudent and comprehensive risk management system covering all business segments of Cinda HK. It also has put in place a series of standardised policies to meet the risk management needs and business development requirements of China Cinda which have allowed China Cinda to effectively monitor and control the risks. Since the implementation of the internal control and risk management regime, Cinda HK has achieved effective risk management, ensuring that Cinda HK's business and its operational activities comply with the applicable rules, regulations and standards in all material respects.

Investment Risk Management

As an integral part of its investment strategy, Cinda HK has put in place standardised procedures in making investment decisions, which encompass project proposal application, project proposal approval, due diligence, risk assessment, valuation, major projects pre-communication, acquisition program formulation and project approval. Upon the application of the proposed project, the project team will conduct comprehensive due diligence and valuation. When making the investment and business decision, the chief risk management officer is entitled to veto certain proposals made by the business decision committee of Cinda HK. As a part of its post-investment management, Cinda HK collects the post-investment data, analyses the risk factors and builds the information sharing system.

The supervision from China Cinda strengthens Cinda HK's mindset of prudent investment. In terms of the daily risk management, Cinda HK has established the risk management team which is directly governed by China Cinda's risk management department. The chief risk management officer, who is directly designated by China Cinda and obliged to report to both Cinda HK and China Cinda. With regards to the project decision risk management, the important projects should be approved by the relevant departments in China Cinda.

Risk Prevention

The operations complexity exposes Cinda HK to various risks, including market risks, credit risks, operational risks, liquidity risks and other risks. Cinda HK has established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products it offers, and Cinda HK has been dedicated to continuously improving these systems and procedures.

As a cornerstone and a core focus of the management and business operation, Cinda HK has developed a comprehensive risk management system covering all business segments. The three guiding principles of Cinda HK's risk management are: (i) full participation: to establish a culture of risk management and corresponding mechanisms encouraging the participation of all employees, under which all staff, including management personnel shall participate in and be responsible for risk management in accordance with their respective duties; (ii) comprehensiveness: to establish a risk management system covering all business lines, internal organisations and the regions where Cinda HK conducts business, as well as the identification, analysis and management of all types of risks it faces; (iii) full coverage: to reinforce risk control throughout the different stages of business activities, including due diligence before the commencement of the transaction, initial project design, decision-making process, investment management and exit mechanism.

Cinda HK's risk management framework consists of three levels of supervision and three lines of organisational defence. The three levels are: (i) the risk management department and relevant functional departments of China Cinda; (ii) the board of directors and senior management of Cinda HK; and (iii) the risk management department of Cinda HK. The three lines of defence are: (i) the business operation departments of Cinda HK; (ii) the risk management department of Cinda HK, which is independent from business operation departments; and (iii) the officer in charge of internal audit of Cinda HK and the audit supervision of China Cinda.

Market risk management

Market risk is the risk that the fair value or future cash flows of Cinda HK's financial assets or financial liabilities would fluctuate because of changes in the economic environment. Cinda HK's activities expose it primarily to market risks of changes in interest rate, foreign currency and other prices.

Credit risk management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its payment obligations when due. Cinda HK is exposed to credit risks primarily associated with its loan receivables, receivables from immediate holding company and other related parties, debt and convertible debt securities and the total return swap contracts entered into by Cinda HK. Cinda HK manages credit risks by several methods, including:

- reviewing the recoverable amount of each individual debt on a regular basis;
- establishing reasonable investment portfolio and preventing client concentration; and
- obtaining financial information of counterparties to assess their credibility.

Liquidity risk management

Liquidity risk refers to the risk that Cinda HK will encounter difficulty in meeting obligations associated with its financial liabilities. Measures taken by Cinda HK to manage liquidity risk include monitoring and maintaining a level of cash and cash equivalents to finance Cinda HK's operations and mitigate the effects of fluctuations in cash flows. Cinda HK monitors the utilisation of borrowings and ensures compliance with loan covenants. Cinda HK manages liquidity risks by several methods, including:

- classifying the loans and setting up monitoring procedures to recover overdue loans;
- accelerating the capital turnover;
- unifying the liquidity management mechanism;
- strengthening budget management; and
- expanding financing channels.

Operational risk management

Operational risk refers to the risk of losses caused by imperfect or problematic internal procedures, staff and IT systems, and external events, including legal risks. Cinda HK continuously improved its information technology risks prevention mechanism, formulated information technology systems and carried out risk analysis to further improve the refinement level of technology risk control and the prevention and control level of network security risk. Cinda HK manages operational risks by several methods, including:

- establishing an internal regulatory system covering the entire business process;
- formulating regulatory procedures for supervising employees' performance;
- establishing clear accountability mechanisms for penalising the incompliance;
- providing compliance support for business operations and management activities;
- building up the information security and IT service management system;
- making data backup for information processing system; and
- formulating an internal reporting system for incompliance.

LEGAL AND REGULATORY PROCEEDINGS

The Guarantor may be involved in legal and/or regulatory proceedings or disputes in the ordinary course of business. As at 31 December 2019, the Guarantor was not aware of any legal or arbitration proceedings against or affecting it, any of its subsidiaries or any of their assets, or any pending or threatened proceedings, that, in the opinion of its management, would have a material adverse effect on its business, financial condition, results of operations or prospects.

REGULATION IN THE PRC AND HONG KONG

This section summarises the principal laws and regulations in the PRC and Hong Kong which are relevant to the business and operations of Cinda HK. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the business and operations of Cinda HK.

PRC REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the People's Republic of China (the "**PRC Constitution**") and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution, enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the judicial work of the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and respectively amended on 28 October 2007, 31 August 2012 and 27 June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the competent court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

HONG KONG REGULATORY ENVIRONMENT

Introduction

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong and it is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the Monetary Authority. The Banking Ordinance provides that only authorised institutions (that is, banks which have been granted a banking licence ("**licence**") by the Monetary Authority may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("**authorised institutions**").

Types of Regulated Activities

The SFO provides a single licensing regime under which a person needs only one licence to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

- Type 1: dealing in securities;
- Type 2: dealing in futures contracts;
- Type 3: leveraged foreign exchange trading;
- Type 4: advising on securities;
- Type 5: advising on futures contracts;
- Type 6: advising on corporate finance;
- Type 7: providing automated trading services;
- Type 8: securities margin financing;
- Type 9: asset management; and
- Type 10: providing credit rating services.

Supervision of Authorised institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the Monetary Authority, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The Monetary Authority supervises authorised institutions through, inter alia, a regular information gathering process, the main features of which are as follows:

- (1) each authorised institution must submit a monthly return to the Monetary Authority setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the Monetary Authority has the right to allow returns to be made at less frequent intervals;
- (2) the Monetary Authority may order an authorised institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorised institution concerned. Such information shall be submitted within such period and in such manner as the Monetary Authority may require. The Monetary Authority may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorised institution's auditors (approved by the Monetary Authority for the purpose of preparing the report) confirming compliance with Banking Ordinance and certain matters;
- (3) authorised institutions may be required to provide information to the Monetary Authority regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the authorised institution's business;
- (4) in addition, authorised institutions are obliged to report to the Monetary Authority immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorised institutions incorporated in Hong Kong;

- (5) the Monetary Authority may direct an authorised institution to appoint an auditor to report to the Monetary Authority on the state of affairs and/or profit and loss of the authorised institution or the adequacy of the systems of control of the authorised institution or other matters as the Monetary Authority may reasonably require;
- (6) the Monetary Authority may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorised institution, and in the case of an authorised institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution; such inspections are carried out by the Monetary Authority on a regular basis; and
- (7) authorised institutions are required to give written notice to the Monetary Authority immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorised institution

The Monetary Authority may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorised institutions in any of the following circumstances:

- (1) when an authorised institution informs the Monetary Authority that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
- (2) when an authorised institution becomes unable to meet its obligations or suspends payment;
- (3) if after an examination or investigation, the Monetary Authority is of the opinion that an authorised institution:
 - (i) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;
 - (ii) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
 - (iii) has contravened or failed to comply with any of the provisions of the Hong Kong Banking Ordinance; or
 - (iv) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
- (4) where the Financial Secretary advises the Monetary Authority that he considers it in the public interest to do so.

In any of the circumstances described above, the Monetary Authority, after consultation with the Financial Secretary, may exercise any of the following powers:

- (1) to require the authorised institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the Monetary Authority may consider necessary;
- (2) to direct the authorised institution to seek advice on the management of its affairs, business and property from an adviser approved by the Monetary Authority;
- (3) to assume control of and carry on the business of the authorised institution, or direct some other person to assume control of and carry on the business of the authorised institution; or
- (4) to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorised institution).

Revocation and Suspension of Banking Licence

The Monetary Authority also has powers to recommend the revocation or suspension of a licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorised institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

- (1) the authorised institution no longer fulfils the criteria for authorisation and the requirements for registration;
- (2) the authorised institution is likely to be unable to meet its obligations or to suspend payment or proposes to make, or has made, any arrangement with its creditors or is insolvent;
- (3) the authorised institution has failed to provide material information required under the Hong Kong Banking Ordinance or has provided false information;
- (4) the authorised institution has breached a condition attached to its licence;
- (5) a person has become or continues to be a controller or chief executive or director of the authorised institution after the Monetary Authority has made an objection;
- (6) the interests of the depositors require that the licence be revoked; or
- (7) the authorised institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the Monetary Authority guidelines) which should not be engaged in.

Revocation or suspension of a licence means that the authorised institution can no longer conduct banking business (for the specified period in the case of a suspension).

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counterterrorist financing laws and regulation in Hong Kong as well as the Guideline.

The Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

Financial Institutions Resolution Regime

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 financial institutions in Hong Kong. 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 in Hong Kong. In particular, and subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to write off or convert all or a part of the principal amount of, or distributions on, regulatory capital securities of relevant financial institutions in Hong Kong. Certain details relating to FIRO will be set out through secondary legislation and supporting rules.

On 17 January 2018, the Hong Kong Monetary Authority announced a public consultation on a set of proposed rules to set out minimum loss-absorbing capacity (“**LAC**”) requirements for authorised institutions under FIRO. The LAC requirements have been proposed in order to ensure that the resolution regime can be used effectively and that authorised institutions have sufficient loss-absorbing capacity. On 14 December 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B) came into operation as subsidiary registration under the FIRO.

OECD’s Common Reporting Standard

The Organisation for Economic Co-operation and Development (the “**OECD**”) has developed a draft common reporting standard (“**CRS**”) and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS financial institutions will be required to identify and report the tax residence status of customers in 101 countries that have endorsed the plans, of which 54 (including EU Member States) have committed to implement the CRS with first information exchanges expected in 2017. The remaining 47 countries have committed to implement the CRS on a slower timetable with first information exchanges for these countries expected in 2018.

The adoption of CRS in the PRC and Hong Kong will be effective from 1 January 2017. The PRC and Hong Kong financial institutions may begin collecting tax residency information from their account holders as early as 1 January 2017 and may report information on reportable account holders in 2018. The increased due diligence of customer information and the reporting of information to the tax authorities will increase operational and compliance costs for banks, including the Group. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

TERMS AND CONDITIONS OF THE NOTES

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

This Note is issued by China Cinda (2020) I Management Limited (the **Issuer**) pursuant to the Trust Deed (as defined below). The due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed is guaranteed by China Cinda (HK) Holdings Company Limited (the **Guarantor**) as specified hereon.

The Notes are constituted by a trust deed (as amended, restated, replaced or supplemented as at the date of issue of the Notes (the **Issue Date**), the **Trust Deed**) dated 7 January 2021 between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the **Trustee**, which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement (as amended, restated, replaced or supplemented as at the Issue Date, the **Agency Agreement**) dated 7 January 2021 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as initial issuing and paying agent, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU**) and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent** (which expression shall include any additional or successor issuing and paying agent), the **CMU Lodging and Paying Agent** (which expression shall include any additional or successor CMU lodging and paying agent), the **Paying Agents** (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent and any additional or successor thereof), the **Registrar** (which expression shall include any additional or successor registrar), the **Transfer Agents** (which expression shall include the Transfer Agent and any additional or successor thereof) and the **Calculation Agent(s)** (which expression shall include any additional or successor calculation agent) (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrars, Transfer Agents and Calculation Agent(s) being together referred to as the **Agents**). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed and the Agency Agreement are available for inspection upon prior written request and proof of holding to the satisfaction to the Trustee by Noteholders during usual business hours at the principal office of the Trustee (presently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office of the Issuing and Paying Agent. All capitalised terms that are not defined in these Conditions have the same meanings given to them in the relevant Pricing Supplement.

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

As used in these Conditions, **Tranche** means Notes which are identical in all respects, and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series with such Tranche of Notes and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or issue prices.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**) in each case in the Specified Denomination(s) shown hereon. References to **hereon** is to the applicable Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

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

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

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

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

*For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**) and/or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, any Paying Agent, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.*

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee and the Agents may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. The regulations may be changed (i) by the Issuer, with the prior written approval of the Registrar and the Trustee, or (ii) by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection (free of charge to the Holder and at the Issuer’s expense) by the Registrar to any Noteholder at the specified office of the Registrar at all reasonable times during usual business hours upon prior written request and satisfactory proof of holding.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

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

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of a duly completed form of transfer or Put Exercise Notice (as defined in Condition 6(f)) or the Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar, as the case may be, to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, the Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar, as the case may be, the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), **business day** means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar, as the case may be. No Agent will be liable for the loss of any Certificate in the course of delivery.

(e) Transfers Free of Charge

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon (i) payment by the relevant Noteholders of any tax or other governmental charges of whatsoever nature that may be levied or imposed in relation to them (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the Regulations (as defined in Condition 2(b) concerning transfer of Notes have been complied with.

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(e), (iii) after the exercise of the put option in Condition 6(f), (iv) during the period of 15 days prior to any date on which Notes are redeemed by the Issuer at its option, or (v) during the period of seven Business Days ending on (and including) any Record Date.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream and the CMU, as the case may be. References to Euroclear and/or Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

3. GUARANTEE AND STATUS

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under and in respect of the Trust Deed and the Notes, the Receipts and the Coupons. Its obligations in that respect (the **Guarantee**) are contained in the Trust Deed. The Guarantee constitutes direct, unconditional, unsubordinated, and (subject to Condition 4(a)) unsecured obligations of the Guarantor, and shall at all times rank at least *pari passu* with all other present and future unconditional, unsubordinated and 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.

(b) Status of Notes

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

4. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) Negative Pledge

The Guarantor and the Issuer will not, and will not permit any Principal Subsidiary to, create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor or the Issuer or any Principal Subsidiary thereof (or any guarantee or indemnity in respect thereof) issued or entered into outside of the PRC without, in any such case, making effective provision whereby the Notes and the Guarantee will be secured either at least equally and ratably with such Relevant Indebtedness or by such other Lien as shall have been approved by an Extraordinary Resolution (as defined in the Trust Deed), for so long as such Indebtedness will be so secured.

The foregoing restriction will not apply to:

- (i) any Lien which is in existence on or prior to the date of the Trust Deed;
- (ii) any Lien arising or already arisen automatically by operation of law, or for taxes, assessments or governmental charges which is promptly discharged or disputed in good faith by appropriate proceedings;
- (iii) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer, the Guarantor, any Subsidiary of the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (iv) any right of set-off or combination of accounts arising in favour of any bank or financial institution as a result of the day-to-day operation of banking arrangements;
- (v) any Lien either over any asset acquired after the date of the Trust Deed which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary after the date of the Trust Deed which is in existence on the date on which it becomes the Guarantor's Subsidiary, and in both cases, any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased); provided that any such Lien was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;
- (vi) any Lien created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the date of the Trust Deed; provided, however, that (a)(i) any such Lien shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired) and; (ii) to the extent that such Lien shall secure any other property or asset, the principal amount of the debt encumbered by such Lien shall not exceed the cost of the applicable acquisition, development or improvement and (b) any such Lien shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

- (vii) any Lien created (including any renewals or extension thereof) on any property or asset with a book value not exceeding 20 per cent. of the Total Assets in the aggregate pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice; provided, however, that the amount of the Relevant Indebtedness secured by such Lien shall be confined to the value of such property or asset secured;
- (viii) any Lien pursuant to any order of attachment, execution, enforcement, distraint or similar legal process arising in connection with court proceedings; provided, however, that such process is effectively stayed, discharged or otherwise set aside within 30 days;
- (ix) any Lien created or outstanding in favour of the Guarantor, the Issuer or a wholly-owned Subsidiary thereof;
- (x) any easement, right-of-way, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of the Guarantor or any of its Subsidiaries;
- (xi) any Lien in favour of any government or any subdivision thereof, securing the obligations of the Guarantor or any of its Subsidiaries under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;
- (xii) any Lien on any loan extended by a Finance Subsidiary to the Guarantor, the Issuer or any of their Subsidiaries;
- (xiii) any Lien securing reimbursement obligations with respect to letters of credit and similar instruments;
- (xiv) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or asset covered thereby; or
- (xv) any Lien in respect of Indebtedness of the Guarantor or the Issuer with respect to which the Guarantor or the Issuer has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and the Issuer in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

(b) Limitation on Consolidation, Merger and Sale of Assets

Neither the Guarantor nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Guarantor or the Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

- (i) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation validly existing under the laws of the jurisdiction of its organisation and such Person expressly assumes by a supplemental trust deed to the Trust Deed all the obligations of the Guarantor or the Issuer under the Trust Deed, the Notes or the Guarantee, as the case may be;
- (ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

- (iii) any such Person not organised and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong or any successor jurisdiction (in the case of the Guarantor), or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental trust deed that its jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Taxing Jurisdictions; and

if, as a result of the transaction, any property or asset of the Guarantor or any of its Subsidiaries would become subject to a Lien that would not be permitted under Condition 4(a), the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Notes at least equally and ratably with the Indebtedness secured by such Lien or by such other Lien as shall have been approved by an Extraordinary Resolution.

(c) Preservation of Corporate Existence

For so long as any Notes remain outstanding, the Issuer and the Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect their corporate existence and that of each of their Subsidiaries and the corporate rights (charter and statutory) and corporate licenses of the Issuer and each such Subsidiary, except where a failure to do so, singly or in the aggregate, would not have a material adverse effect upon the financial condition, prospects, results of operations or business of the Issuer, the Guarantor and their Subsidiaries (if any) taken as a whole.

(d) Limitation on the Issuer's Activities

For so long as the Notes are outstanding:

- (i) the Issuer will conduct no business or any other activities other than (A) the offering, sale or issuance of any debt securities (including the Notes and any further securities issued in accordance with Condition 15), (B) entry into any other financial indebtedness, (C) the lending of the proceeds thereof to the Guarantor or a company controlled by the Guarantor, directly or indirectly, and located in a jurisdiction outside the PRC, (D) the maintenance of the Issuer's corporate existence, and (E) any other activities in connection therewith;
- (ii) the Issuer will not issue any Capital Stock other than the issuance of its ordinary shares to the Guarantor;
- (iii) neither the Guarantor nor the Issuer will commence or take any action to cause a winding-up or liquidation of the Issuer; and
- (iv) the Guarantor will maintain 100 per cent. equity ownership of the Issuer.

(e) Provision of Reports

So long as any of the Notes remain outstanding, the Issuer and the Guarantor will deliver to the Trustee the following documents in the English language:

- (i) a Compliance Certificate of each of the Issuer and the Guarantor (on which the Trustee may rely as to such compliance) and copies of the Guarantor's financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement and any notes to the financial statements) audited by a member firm of independent accountants as soon as they are available, but in any event within 180 calendar days after the end of the fiscal year of the Guarantor (and, in the case of a Compliance Certificate requested by the Trustee, within 15 business days of any written request by the Trustee); and

- (ii) a Compliance Certificate of each of the Issuer and the Guarantor (on which the Trustee may rely as to such compliance) and copies of the Guarantor's unaudited financial statements (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement but without any notes to the unaudited financial statements) prepared on a basis consistent with the audited financial statements of the Guarantor, but in any event within 135 calendar days after the end of the first semi-annual fiscal period of the Guarantor;

provided however, that if at any time the Capital Stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report (in the English language) filed with such exchange in lieu of the reports identified in clauses (i) and (ii) above.

The Issuer shall deliver to the Trustee as soon as possible, and in any event within 10 days after the Issuer becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default, setting forth the details thereof and the action the Issuer is taking or propose to take with respect thereto (if any).

In these Conditions:

Capital Stock means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

Compliance Certificate means a certificate, substantially scheduled to the Trust Deed, of each of the Issuer and the Guarantor signed by any one of their respective authorised signatories certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor, as the case may be, as at a date (the **Certification Date**) not more than five days before the date of the certificate:

- (A) no Event of Default (as defined in Condition 10) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed and, if such an event had occurred, giving details of it; and
- (B) each of the Issuer and the Guarantor, as the case may be, has complied with all its obligations under the Trust Deed and the Notes;

Finance Subsidiary means any Person who is wholly-owned by the Guarantor and who does not engage in any business activity except (1) the incurrence of Indebtedness to Persons other than the Guarantor, the Issuer or any of their respective Subsidiaries, (2) the ownership of shares of another Finance Subsidiary, (3) activity related to the establishment or maintenance of that Person's corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1), (2) or (3) (but for the avoidance of doubt does not include the Issuer).

Indebtedness of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person.

Lien means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind.

Person means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity.

PRC means the People's Republic of China (for the purposes hereof not including Hong Kong Special Administrative Region or Macau Special Administrative Region of the PRC or Taiwan).

Relevant Indebtedness of any Person means (i) any present or future indebtedness that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance; and (ii) all Relevant Indebtedness of others guaranteed by such Person.

a **Subsidiary** means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person.

Total Assets means the consolidated total assets of the Guarantor and its subsidiaries calculated by reference to the then latest financial statements of the Guarantor (which can be internal financial statements).

Voting Shares means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

5. INTEREST AND OTHER CALCULATIONS

(a) Interest on Fixed Rate Notes

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

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

(i) *Interest Payment Dates*

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

(ii) *Business Day Convention*

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

Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

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

(A) ISDA Determination for Floating Rate Notes

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

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

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

- I. the offered quotation; or
- II. the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time in the case of CNH HIBOR) (or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent). If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

- (y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide in writing the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as provided in writing to the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time), on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent (in writing) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market as at 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market as at 11.00 a.m. (Hong Kong time) or, if the Reference Rate

is CNH HIBOR, the Hong Kong inter-bank market as at 11.15 a.m. (Hong Kong time), as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Benchmark Event*

If the Issuer or its designee determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) as specified in the relevant Pricing Supplement remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with the Conditions and, in either case, an Adjustment Spread if any, and any Benchmark Amendments in accordance with the Conditions). In making such determination, an Independent Adviser appointed pursuant to this Condition 5 shall act in good faith as an expert in accordance with the Conditions. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agent, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iii)(C).

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

- (i) *Successor Rate or Alternative Rate:* If the Independent Adviser determines that, (1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)); or (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)).
- (ii) *Adjustment Spread:* The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

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

At the request of the Issuer, but subject to receipt by the Trustee of an Officer's Certificate of the Issuer pursuant to Condition 5(b)(iii)(C)(iii), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (iv) *Notices, etc.*: Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agent and, in accordance with Condition 16 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee, the Calculation Agent and the Paying Agent of the same, the Issuer shall deliver to the Trustee an Officer's Certificate:

- (1) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate and, (C) the applicable Adjustment Spread and (D) the specific terms of any Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition; and
- (2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agent shall be entitled to conclusively rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agent's ability to conclusively rely on such Officer's Certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agent and the Noteholders.

- (v) *Survival of Original Reference Rate*: Without prejudice to the obligations of the Issuer under Conditions 5(b)(iii)(C)(i), (ii) and (iii), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) specified in the relevant Pricing Supplement will continue to apply unless and until a Benchmark Event has occurred.

In these Conditions:

Adjustment Spread means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if Independent Adviser determines that no such spread is customarily applied);
- (iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);
- (iv) the Independent Adviser, determines in good faith to be appropriate;

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser, determines in accordance with Condition 5(b)(iii)(C)(i) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

Benchmark Event means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (v) a public statement by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

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

provided that in the case of sub-paragraphs (ii), (iii), (iv) and (v), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense;

Officer means the General Manager, the Chief Financial Officer, any Deputy General Manager or any director of the Issuer or the Guarantor, as the case may be;

Officer's Certificate means a certificate signed by an Officer;

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

Rate of Interest means the rate or rates of interest payable from time to time in respect of the Notes specified in the Pricing Supplement or calculated or determined in accordance with the Conditions and/or the provisions of the Pricing Supplement.

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

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

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

(iv) *Rate of Interest for Index Linked Interest Notes*

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

(c) *Zero Coupon Notes*

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

(d) Dual Currency Notes

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

(e) Partly Paid Notes

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

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Default Rate specified in the Pricing Supplement, or, if none, Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

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

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, unit means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) 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. If the relevant Pricing Supplement does not specify any Minimum Rate of Interest and the Rate of Interest as determined by the Calculation Agent according to this Condition 5(b) is a negative value, the Rate of Interest shall be zero percent per annum.

(i) Calculations

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

So long as the Notes are represented by a Global Certificate which is held on behalf of Euroclear, Clearstream, CMU or any other clearing system, the Interests in respect of the Notes shall be calculated based on the aggregate principal amount of the Notes represented by the Global Certificate.

(j) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, (subject to being provided the required quotations in writing by the Reference Banks) make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified (in writing) to the Trustee, the Issuer, the Guarantor, the Paying Agent, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties. None of the Trustee or the Paying Agent shall be responsible for calculating or verifying the Early Redemption Amount.

(k) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the location of the relevant paying agent; and
- (ii) in the case of:
 - (i) a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
 - (ii) euro, a day on which the TARGET System is operating (a **TARGET Business Day**); and/or
 - (iii) Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
 - (iv) a currency and/or one or more Business Centres specified hereon a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

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

- (i) if **Actual/Actual or Actual/Actual — ISDA** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if **30/360, 360/360 or Bond Basis** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ 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 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

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;

- (vii) if **30E/360 (ISDA)** is specified in the Pricing Supplement, 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;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ 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 D₁ will be 30; and

D₂ 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 D₂ will be 30;

(viii) if **Actual/Actual-ICMA** is specified hereon,

- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (ii) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

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

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

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

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

Interest Amount means:

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

Interest Commencement Date means the Issue Date or such other date as may be specified hereon, or determined in accordance with the provisions of, the Pricing Supplement;

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

Interest Payment Date means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement;

Interest Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Pricing Supplement;

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

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

Redemption Amount means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, each as specified as such in, or determined in accordance with the provisions of, the Pricing Supplement;

Redemption Date means the Optional Redemption Date specified in the applicable Pricing Supplement or such other date set for redemption of the Notes pursuant to Condition 6;

Reference Banks means, (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (iii) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, (iv) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Issuer and notified in writing to the Calculation Agent or as specified hereon;

Reference Rate means the rate specified as such hereon;

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

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

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

(I) Calculation Agent

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

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption

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

(b) Early Redemption

(i) Zero Coupon Notes

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(a)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date, compounded annually).

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

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

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Early Redemption Amount of the Final Redemption Amount.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), upon notice as described below, at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued (if any) to the date fixed for redemption and Additional Amounts, if any, if, as a result of any change in or amendment to the laws of a Relevant Taxing Jurisdiction or any regulations or rulings promulgated thereunder, or any change in, or announcement of any, official interpretation or official application of such laws, regulations or rulings, which change or amendment or announcement (i) except as described in (ii) immediately below, becomes effective on or after the issue date of the relevant Notes and (ii) in the case of any successor to the Guarantor or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Taxing Jurisdiction as at the date on which the person became a successor to the Issuer or the Guarantor, becomes effective on or after the date such successor assumes the Guarantor's or the Issuer's obligations, as applicable, under the Notes, the Guarantee and the Trust Deed,

- (i) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes as described under Condition 8; or
- (ii) the Guarantor is or would be unable, for reasons outside its control, on the next succeeding due date for a payment with respect to the Notes to procure payment by the Issuer, and with respect to a payment due or to become due under the Guarantee, the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts as described above under Condition 8; or
- (iii) any payment to the Issuer by the Guarantor or any wholly-owned Subsidiary of the Guarantor to enable the Issuer to make payment of interest or Additional Amounts, if any, on the Notes is or would be when paid to the Issuer before the next succeeding due date for a payment on the Notes subject to withholding or deduction for taxes imposed by a Relevant Taxing Jurisdiction or any authority therein or thereof having power to tax,

and such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or the Issuer, as the case may be.

Notice of redemption of the Notes as provided above shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption (in accordance with Condition 16 (*Notices*)) to the holders (which notice shall be irrevocable) and to the Trustee and the Issuing and Paying Agent. Notice having been given, the Notes of such series shall become due and payable on the date fixed for redemption and will be paid at the redemption price, together with accrued interest to the date fixed for redemption and any Additional Amounts, at the place or places of payment and in the manner specified in the notice. From and after the date fixed for redemption, if moneys for the redemption of such Notes shall have been made available as provided in the Trust Deed for redemption on the date fixed for redemption, the Notes shall cease to bear interest, and the only right of the holders of the Notes shall be to receive payment of the redemption price and interest accrued (if any) to the date fixed for redemption.

Prior to the mailing of any notice of redemption of the Notes pursuant to this Condition 6(c), the Issuer, the Guarantor or a surviving person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the date fixed for redemption an Officer's Certificate stating that a change or amendment or announcement referred to in the prior paragraph has occurred, describing the facts relating thereto and stating that such requirement cannot be avoided by the Issuer, the Guarantor or such surviving person, as the case may be, taking reasonable measures available to it. The Trustee shall be entitled, without being liable to any Noteholders or Couponholders or any other Person, to conclusively rely upon and accept such Officer's Certificate as sufficient evidence of the satisfaction of the condition precedent set out in this Condition 6(c), in which event the same shall be conclusive and binding on the Noteholders and Couponholders.

Upon the expiry of any such notice period as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may, on giving not less than 20 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement, which notice shall be irrevocable and shall specify the Optional Redemption Date) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above), together with interest (if any) accrued to but excluding the Optional Redemption Date). Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

Any notice of redemption given under this Condition 6(d) will override any notice of redemption given (without previously, on the same date or subsequently) under Condition 6.

In the case of a partial redemption, the notice to Noteholders shall, in the case of Bearer Notes, also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes, specify the nominal amount of Registered Notes selected and the holder(s) of such Registered Notes, to be redeemed, which shall have been selected as follows:

- (i) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or if the Notes are held through any clearing system, in compliance with the requirements of the clearing systems; or
- (ii) if the Notes are not held through any clearing system, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, unless otherwise required by law.

(e) Redemption at the Option of Noteholders

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above), together with interest (if any) accrued to the date fixed for redemption.

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

(f) Redemption upon a Change of Control Triggering Event

Unless previously redeemed under Condition 6, upon a Change of Control Triggering Event, the Issuer will be required to make an offer to redeem all of the Notes at a price in cash equal to 101 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest (if any) on the principal amount of Notes being redeemed to but excluding the date of redemption (a **Change of Control Offer**).

Within 30 days following any Change of Control Triggering Event, the Issuer will be required to give written notice (a **Put Exercise Notice**) to holders in accordance with Condition 16 (*Notices*) and to the Trustee, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to redeem all of the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given (the **Change of Control Purchase Date**). A Put Exercise Notice, once delivered, shall be irrevocable.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Notes properly tendered and not withdrawn under its offer.

A holder will have no right to require the Issuer to redeem portions of Notes if it would result in the issuance of new Notes, representing the portion not redeemed, in an amount of less than the minimum Specified Denomination as set out in the Pricing Supplement.

The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the redemption of Notes pursuant to this covenant.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred unless the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so. Neither the Trustee nor any Agent shall be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so.

In this Condition 6(f):

- (i) **Change of Control** means the occurrence, at any time, of any of the following:
 - (A) China Cinda ceasing to own and control, directly or indirectly 100.0 per cent. of the Voting Shares of the Guarantor; or
 - (B) the Guarantor ceasing to own and control directly 100.0 per cent. of the Voting Shares of the Issuer; or
 - (C) the government of the PRC or Persons controlled by the government of the PRC ceasing to Control China Cinda.
- (ii) **Change of Control Triggering Event** means a Change of Control, provided, however, that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.
- (iii) **China Cinda** means China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司).
- (iv) **Control** means directly or indirectly (i) owning and controlling at least 50.1 per cent. of the Voting Shares of China Cinda; or (ii) nominating or appointing a majority of the members of China Cinda's board of directors or other equivalent or successor governing body; or (iii) possessing the ability or power to direct the management policies of China Cinda.
- (v) **Investment Grade** means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any United States nationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be.
- (vi) **Rating Agencies** means (i) Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (**S&P**); (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors (**Moody's**); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (**Fitch**); and (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be.
- (vii) **Rating Date** means, in connection with a Change of Control Triggering Event, that date which is 90 calendar days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by any Person or Persons to effect a Change of Control.

(viii) **Rating Decline** means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by any Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

- (A) in the event the Notes are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or
- (B) in the event the Notes are (a) on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies.

(g) Partly Paid Notes

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

(h) Purchases

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

(i) Cancellation

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

7. PAYMENTS AND TALONS

*So long as the Global Note or Global Certificate is held on behalf of Euroclear or Clearstream, CMU or any other clearing system, each payment in respect of the Global Note or Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where **Clearing System Business Day** means (in respect of Euroclear or Clearstream) a weekday (Monday to Friday, inclusive) except 25 December and 1 January, and (in respect of CMU) a day on which CMU is open for business.*

(a) Bearer Notes

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

- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by wire transfer to an account denominated in such currency with, a Bank; and
- (ii) in the case of Renminbi, by wire transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

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

(b) Payments in the United States

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

(c) Registered Notes

- (i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(c)(ii).
- (ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the **Record Date**). Payments of interest on each Registered Note shall be made:
 - (A) in the case of a currency other than Renminbi, upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by wire transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(c), **registered account** means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(d) Payments subject to Fiscal Laws

All payments will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (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 8) any law implementing an intergovernmental approach thereto (together **FATCA**). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

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

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

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

(f) Unmatured Coupons and Receipts and unexchanged Talons

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are generally open for business in the relevant place of presentation, in such jurisdictions as shall be specified as **Financial Centres** hereon and:

- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee 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 (**Taxes**) imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or any other jurisdiction (each, a **Relevant Taxing Jurisdiction**) in which the Guarantor or the Issuer, as the case may be (or any successor to the Guarantor or the Issuer, as the case may be) is tax resident, in each case including any political subdivision, territory or possession thereof, any authority therein having power to tax or any area subject to its jurisdiction or any jurisdiction from or through which any payment is made by the Guarantor or the Issuer, unless such Taxes are required by law to be withheld or deducted.

If the Issuer or, as the case may be, the Guarantor, is required to make such a deduction or withholding, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (**Additional Amounts**) as will result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable in respect of any Note, Receipt or Coupon or in respect of any payment pursuant to the Guarantee:

- (a) to a holder (or to a third party on behalf of a holder) who is liable to such Taxes in respect of such Note by reason of his having some connection with the Relevant Taxing Jurisdiction other than the mere holding of the Note;
- (b) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such Additional Amounts on surrender of such Note for payment on the last day of such period of 30 days;
- (c) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting the Notes (where presentation is required) to another paying agent;
- (d) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate, Receipt or Coupon representing the Note is presented for payment; or
- (e) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other similar governmental charge; or
- (f) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the U.S. Internal Revenue Code and the U.S. Treasury regulations or official guidance thereunder (FATCA), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or guidance enacted or issued in any jurisdiction with respect thereto; or
- (g) with respect to any Taxes payable otherwise than by deduction or withholding from payments under or with respect to any Note or Guarantee; or
- (h) with respect to any combination of taxes, duties, assessments or other governmental charges referred to in the preceding items (i) through (vii) above.

As used in these Conditions, **Relevant Date** in respect of any Note, Receipt or Coupon means whichever is the later of (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Issuing and Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes, Receipt or Coupon. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) **interest** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) **principal** and/or **interest** shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

If payments in respect of the Notes by the Issuer or the Guarantor (or any successor of the Issuer or the Guarantor) become generally subject to taxation in any jurisdiction other than the British Virgin Islands, Hong Kong or the PRC, references in these Conditions to Relevant Taxing Jurisdiction shall be construed to include such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or in connection with the Notes or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

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

- (a) failure to pay principal of, or premium on, if any, any Note after the date such amount is due and payable, upon optional redemption, acceleration or otherwise, and such failure to pay continues for a period of 14 days;
- (b) failure to pay interest on any Note within 30 days after the due date for such payment;
- (c) failure by the Issuer or Guarantor to comply with its obligations under the covenants described under Condition 4(b);
- (d) failure to perform any other covenant or agreement of the Guarantor or the Issuer in the Trust Deed (other than those referred to paragraphs (a), (b) and (c) above and (h) below), and in each case, such failure continues for 60 days after there has been given, by registered or certified mail, to the Guarantor or the Issuer, as the case may be, by the Trustee or by the holders of at least 25 per cent. in aggregate principal amount of the Notes of that series then outstanding (with a copy to the Trustee) a written notice specifying such failure and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Trust Deed;
- (e) the Guarantee shall cease to be in full force or effect or the Guarantor shall deny or disaffirm its obligations under the Guarantee;
- (f) (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Guarantor, the Issuer or any Principal Subsidiary, (ii) acceleration of the maturity of any Indebtedness of the Guarantor, the Issuer or any Principal Subsidiary following a default by the Guarantor, the Issuer, or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 calendar days after receipt by the Trustee of the written notice from the Guarantor or the Issuer as provided in the Trust Deed, or (iii) failure to pay any amount payable by the Guarantor, the Issuer or any Principal Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 calendar days after receipt by the Trustee of written notice as provided in the Trust Deed; provided, however, that no such event set forth in sub-clause (i), (ii) or (iii) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds 0.5 per cent. of the Total Assets of the Guarantor (or its equivalent in any other currency);

- (g) failure by the Guarantor, the Issuer or any Principal Subsidiary to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organization for Economic Cooperation and Development, aggregating in excess of 0.5 per cent. of the Total Assets of the Guarantor (or its equivalent in other currencies), which judgments are not paid, discharged or stayed for a period of 60 days, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (h) (x) a decree or order is entered (i) for relief in respect of the Guarantor, the Issuer or any Principal Subsidiary in an involuntary case of winding-up or bankruptcy proceeding under applicable law or (ii) adjudging the Guarantor, the Issuer or any Principal Subsidiary bankrupt or insolvent, or (y) in connection with the bankruptcy or insolvency of the Guarantor, the Issuer or any Principal Subsidiary a decree or order is entered seeking a reorganisation, a winding up, an arrangement, an adjustment or a composition, with creditors, of or in respect of the Guarantor, the Issuer or any Principal Subsidiary under applicable law, or (z) a decree or order is entered appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Guarantor, the Issuer or any Principal Subsidiary or of all or substantially all of their respective properties, or ordering the winding up or liquidation of any of their affairs, and in each case, any such decree or order remains unstayed and in effect for a period of 60 consecutive days; except in each case, for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, disposal, merger or consolidation of a Principal Subsidiary whereby the assets or undertakings of such Principal Subsidiary are vested in or otherwise transferred to the Guarantor, the Issuer or any Principal Subsidiary, China Cinda or any of its other subsidiaries, or any third party on an arm's length basis;
- (i) the Guarantor, the Issuer or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Guarantor, the Issuer or any Principal Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganization or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Guarantor, the Issuer or any Principal Subsidiary or of all or substantially all of its respective property, or makes an assignment for the benefit of creditors, or takes corporate action in furtherance of any such action; except in each case, for the purposes of and followed by a reconstruction, amalgamation, reorganisation, disposal, merger or consolidation of a Principal Subsidiary whereby the assets or undertakings of such Principal Subsidiary are vested in or otherwise transferred to the Guarantor, the Issuer or any Principal Subsidiary, China Cinda or any of its other subsidiaries, or any third party on an arm's length basis;
- (j) (x) a distress, attachment, execution, any other legal process is levied, enforced or sued out on or against, or (y) any mortgage, charge, pledge, lien or other encumbrance, present or future, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), in each case with respect to, all or substantially all of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries, as the case may be, and is not discharged or stayed within 60 days;
- (k) 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 and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Trust Deed, as applicable; (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed, as applicable, admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or
- (l) it is or will become unlawful for any of the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes and the Trust Deed, as applicable.

For the purposes of this Condition 10:

Listed Subsidiary means any Subsidiary of the Guarantor, the shares of which are at the relevant time listed on any stock exchange, and any Subsidiary of such Listed Subsidiary.

Principal Subsidiary means at any time a Subsidiary of the Guarantor (other than any Listed Subsidiary of the Guarantor and the Subsidiaries of such Listed Subsidiary):

- (i) as to which one or more of the following conditions is/are satisfied:
 - (A) its net profit or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the consolidated net profit of the Guarantor (before taxation and exceptional items); or
 - (B) its net assets or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the consolidated net assets of the Guarantor (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest consolidated financial statements of the Guarantor, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the accounts of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the audited consolidated accounts of the Guarantor and its Subsidiaries; or

- (ii) to which is transferred all or substantially all of the assets of the Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above).

A certificate of the auditors of the Guarantor as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in aggregate nominal amount of the Notes for the time being outstanding (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses). The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in

aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or (viii) to modify or cancel the Guarantee (other than as contemplated in Condition 11(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66.67 per cent. or at any adjourned meeting not less than 25 per cent. in aggregate nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding (the Written Resolution) or (B) passed by Electronic Consent as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders and holders of Coupons, Talons and Receipts, whether or not they participated in such Written Resolution and/or Electronic Consent.

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

(b) Modification of Agreements and Deeds

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and unless the Trustee otherwise agrees, any such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

(c) Entitlement of the Trustee

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

(d) Substitution

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Guarantor, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iii) certain other conditions set out in the Trust Deed being complied with.

12. ENFORCEMENT

No holder shall have any right to institute any proceeding with respect to the Trust Deed or the Notes or any remedy thereunder, unless the Trustee (i) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such holder and a request to act by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of outstanding Notes; (ii) has been offered indemnity and/or secured and/or pre-funded to its satisfaction and (iii) has not received from the holders of a majority in aggregate principal amount of the outstanding Notes a written direction inconsistent with such request; provided, however that such limitations do not apply to a suit instituted by a holder for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in Condition 10(b)).

13. INDEMNIFICATION OF THE TRUSTEE AND THE AGENTS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking steps, actions or proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction, and to be paid or reimbursed for its fees, costs, expenses and indemnity payments in priority to the claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity (directly or indirectly) related to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. Neither the Trustee nor any of the Agents shall be under any obligation to monitor or ascertain whether any Relevant Event, Event of Default or Potential Event of Default has occurred or monitor or supervise compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction or certification, to seek directions from the Noteholders by way of Extraordinary Resolution or clarification of any

directions, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Noteholders, Receiptholders or Couponholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions from the Noteholders or in the event that no direction or clarification is given to the Trustee by the Noteholders.

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

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

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

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

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series, *provided that* such supplemental documents are executed and further opinions are obtained as the Trustee may require as further set out in the Trust Deed. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes.

16. NOTICES

Notices to the holders of Registered Notes shall be in writing in the English language and mailed to them (or the first named of joint holders) by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth Business Day after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a leading newspaper having general circulation in Asia (which is expected to be the Wall Street Journal Asia). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia and, so long as the Notes are listed

on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a daily newspaper with general circulation in Asia (which is expected to be *The Wall Street Journal Asia*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note or Global Certificate, such notice may be given by any holder of a Note to the Issuing and Paying Agent or the Registrar through Euroclear and/or Clearstream and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Issuing and Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream and/or the CMU, as the case may be, may approve for this purpose.

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

So long as any Global Note or Global Certificate is held in its entirety on behalf of Euroclear and Clearstream or deposited with a subcustodian for and registered in the name of the Hong Kong Monetary Authority as operator of the CMU, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or as the case may be, CMU, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Guarantee, the Agency Agreement and the Trust Deed. Accordingly, any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Guarantee, the Agency Agreement and the Trust Deed (**Proceedings**) shall be brought in the courts of Hong Kong. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

The Issuer has irrevocably appointed the Guarantor at its registered office, currently at 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong, to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, the Issuer irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Waiver of Immunity

To the extent each of the Issuer or the Guarantor may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from the jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, it hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, and agrees not to plead or claim such immunity in respect of its obligations under the terms and conditions of the Notes.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The following table sets forth information regarding Cinda HK's board of directors:

Name	Position
Liang Senlin	Chairman, Director
Shen Jiamu	Director
Shen Hongpu	Director
Feng Xing	Director
Yu Fan	Director
Huang Qiang	Director

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Liang Senlin. Mr. Liang is the Chairman and Director of Cinda HK. He joined Cinda HK in 2019. He worked as Manager of the Credit Department, Manager and Deputy Director of the Corporate Business Department at Bank of China Shanxi Branch from 1990 to 2000. He then held numerous management positions at China Orient Asset Management as Assistant General Manager at the Corporate Business Department, Deputy General Manager and General Manager from 2001 to 2018. He also served at China Cinda's Board of Director Office and Headquarter Office as General Manager from 2018 to 2019. Mr. Liang received his master's degree of Technical Economics from Xi'an Jiaotong University School of Management in 1990.

Mr. Shen Jiamu. Mr. Shen is the General Manager of the Group Management Department of China Cinda. He once worked as Senior Staff of the Audit Office of the Chinese Ministry of Railways from July 1987 to August 1993, Manager at the Finance Department of Beijing Branch and Deputy General Manager of the Sales Department at Shenzhen Branch of Cinda Trust from August 1993 to February 2000 and General Manager of the Sales Department of China Galaxy Securities Shenzhen East Shangbao Road Branch from February 2000 to May 2002. He then joined Cinda (China) Investment and served as the General Manager of the Planning and Finance Department until January 2007. He later joined China Cinda and served as the Assistant Director of the Capital Management Committee Office and Deputy General Manager of Trust and Collaboration Department until January 2011. He then went back to Cinda Investment and served as Deputy General Manager until January 2015. Mr. Shen graduated from Jiangxi School of finance and Economic with a bachelor's degree of Industrial Economy.

Mr. Shen Hongpu. Mr. Shen is the Assistant General Manager of the General Plan Department and the Capital Market Department of China Cinda since February 2016. He is also the Director of China Jingu International Trust Co., Ltd. He joined China Cinda since 2005 and held numerous positions as Acting Director at the Research and Development Department of the Financial Risk Research Centre from June 2008 to May 2009, Senior Deputy General Manager and Director of the Financial Risk Research Centre from May 2009 to June 2012, Senior Management, Director of the First Group and Chief of the Strategic Development Department from June 2012 to February 2016. Mr. Shen received his bachelor's degree of Economy from Beijing Normal University and doctor's degree of Economy from Nankai University.

Mr. Feng Xing. Mr. Feng is the Assistant General Manager of the Fourth Strategic Client Department of China Cinda since March 2017. He worked at China Construction Bank from July 1997 to August 1998. Mr. Feng joined China Cinda in 1998 and held numerous positions in China Cinda Beijing Branch as head of the Fourth Business Department from November 2011 to February 2013, head of the General Department from February 2013 to April 2014, head of the General Manager's Office from April 2014 to September 2014. Mr. Feng then joined China Cinda headquarter, served as Chief at the Structural Finance Group of the Investment and Finance Department, Chief of the Special Opportunity Investment Department until August 2016, Chief of the Fourth Strategic Client Department from September 2016 to March 2017. Mr. Feng graduated from Tsinghua University with a bachelor's degree of Engineering and Guanghua School of Management, Peking university with a degree of EMBA.

Mr. Yu Fan. Mr. Yu is the Chairman of Cinda International and First State Cinda Fund Management Co., Ltd., and Deputy Secretary of the Party Committee of Cinda Securities. Mr. Yu joined Cinda Securities in September 2000 and held numerous positions as member of the Party Committee from September 2007 to December 2011, Deputy Secretary of the Party Committee from August 2013, Secretary of Board of Directors and Deputy General Manager from September 2007 to October 2010, Executive Deputy General Manager from October 2010 to December 2011, Deputy Director of the Executive Committee from March 2017 to April 2019 and General Manager from September 2013 to September 2019. He also served as the General Manager of the Investment and Finance Department of China Cinda from December 2011 to August 2013. Mr. Yu graduated from Xiamen University with a bachelor’s degree of law.

Mr. Huang Qiang. Mr. Huang has been serving as Deputy General Manager of Cinda HK since June 2017. He joined Cinda Group in March 2013 and had served as Assistant General Manager of Strategic Development Department, Assistant General Manager and Deputy General Manager of Asset Management Department. From June 2015 to June 2017, he served as Assistant General Manager at NCB China. Mr. Huang graduated from the College of Business Administration of Southwestern University of Finance and Economics with a master’s degree in 2003 and obtained a doctoral degree from the College of Corporate Management of Southwestern University of Finance and Economics in 2009. He is qualified as a senior accountant.

Senior Management

The senior management is responsible for the daily management of the Group’s business operation. The following table sets forth information regarding Cinda HK’s senior management:

Name	Position
Liang Senlin	Chairman
Huang Limei	Deputy General Manager
Huang Qiang	Deputy General Manager
Chen Zhiwei	Deputy General Manager
Tang Lunfei	Head of Risk & Compliance

Mr. Liang Senlin. Please see “Board of Directors and Senior Management — Biographies of Directors and Senior Management — Directors — Mr. Liang Senlin”.

Ms. Huang Limei. Ms. Huang is a Deputy General Manager of Cinda HK since February 2018. She worked at China Construction Bank Shenzhen Branch from June 1989 to August 1999. She joined China Cinda in August 1999 and worked at the Shenzhen Branch until December 2017. Ms. Huang graduated from Hunan University of Finance and Economics in 1989 with a bachelor’s degree in Financial Statistics and obtained a master’s degree in National Economics from Zhongnan University of Economics and Law in 2000.

Mr. Huang Qiang. Please see “Board of Directors and Senior Management — Biographies of Directors and Senior Management — Directors — Mr. Huang Qiang”.

Mr. Chen Zhiwei. Mr. Chen is the Assistant General Manager of Cinda HK. He joined Cinda HK in June 2010 and has served as Senior Manager and Head of Investment Department. Mr. Chen has more than 10 years’ experience in investment and financial research. He currently acts as a director of Modern Land (China) Co., Limited. Mr. Chen graduated from Tsinghua University with a bachelor’s degree in economics and obtained a master’s degree from National University of Singapore.

Mr. Tang Lunfei. Mr. Tang is the Chief Risk & Compliance Officer of Cinda HK. He joined China Cinda in 2003 and has served as Business Manager for its Chengdu Office from 2003 to 2005. He then worked for the Financial Stability Department of People’s Bank of China from 2005 to 2006. After that he worked for Cinda Securities as Senior Investment Manager and Business Director etc. from 2007 to 2012. From 2012 to 2019, he served in the Finance and Investment Department, Asset Management Department and Business Evaluation Department of China Cinda.

FORM OF PRICING SUPPLEMENT

[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.]

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 and professional clients only, each 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**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (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 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.

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 EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day 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.

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) — [To insert notice if classification of the Notes is not “prescribed capital markets products”, pursuant to Section 309B of the SFA or “Excluded Investment Products”].]¹

Pricing Supplement dated [●]

China Cinda (2020) I Management Limited

**Issue of [Aggregate Nominal Amount of Series]
[Title of Notes] (the Notes)
under the U.S.\$2,000,000,000
Medium Term Note Programme**

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

[Include the below wording in brackets if the Notes are to be listed on The Stock Exchange of Hong Kong Limited.]

[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) (**Professional Investors**).

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and have been 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.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 7 January 2021 [and the supplemental [Offering Circular] dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated 7 January 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated 7 January 2021 [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated 7 January 2021 and are attached hereto.]

¹ Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).

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

1. Issuer: China Cinda (2020) I Management Limited
2. (a) Status of the Notes: Senior
- (b) Guarantee: Guaranteed by China Cinda (HK) Holdings Company Limited
3. [(a)] Series Number: [●]
- [(b)] Tranche: [●]
4. Specified Currency or Currencies: [●]
5. Aggregate Nominal Amount: [●]
6. [(a)] Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- [(b)] Net Proceeds: [●] (*Required only for listed issues*)
7. (a) Specified Denominations: [●]
- (b) Calculation Amount: [●]
8. (a) Issue Date: [●]
- (b) Interest Commencement Date: [*Specify*/Issue Date/Not Applicable]
9. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling on or nearest to the relevant month and year*]²
10. (a) Interest Basis: [[●] per cent. Fixed Rate, [●] per cent. per annum]
[Floating Rate, [specify reference rate] +1-
[●] per cent.]
[Zero Coupon]
[Other (specify)]
(further particulars specified below)
- (b) Default Rate: [[●] (*specify*)/None]
11. Redemption/Payment Basis: [Redemption at par]
[Partly Paid]
[Installment]
[Other (specify)]
12. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
13. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
14. NDRC Registration/Confirmation: [*Insert registration certificate date*]

² Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

15. Listing: (specify)/None]
16. Place of Payment: Specify]
17. Method of distribution: Syndicated/Non-syndicated]
18. Private Bank Rebate/Commission Applicable/Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Note Provisions Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate[(s)] of Interest: per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrears]
- (b) Interest Payment Date(s): in each year [adjusted in accordance with *specify Business Day Convention and any applicable Business Center(s) for the definition of "Business Day"*]/not adjusted]³
- (c) Fixed Coupon Amount[(s)]: per Calculation Amount⁴
- (d) Broken Amount(s): per Calculation Amount, payable on the Interest Payment Date falling [in/on]
- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (f) [Determination Dates: in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
20. Floating Rate Note Provisions Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Interest Period(s):
- (b) Specified Interest Payment Dates:
- (c) Interest Period Date:
- (Not applicable unless different from Interest Payment Date.)*

³ Note that for certain Hong Kong dollar and Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and ."

⁴ For Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording is appropriate: "Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 6(a)(i)) divided by 365 and rounding the resultant figure to the nearest [HK\$0.01 or RMB0.01, HK\$0.005 or RMB0.005] being rounded upwards."

- (d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (e) Business Center(s): [●]
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (g) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s): [China Construction Bank (Asia) Corporation Limited/[●]]
- (h) Screen Rate Determination:
- Reference Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (i) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (j) Margin(s): [+/-][●] per cent. per annum
- (k) Minimum Rate of Interest: [●] per cent. per annum
- (l) Maximum Rate of Interest: [●] per cent. per annum
- (m) Day Count Fraction: [●]
- (n) 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: [●]
21. Zero Coupon Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Amortisation Yield: [●] per cent. per annum
- (b) Any other formula/basis of determining amount payable: [●]
22. Index-Linked Interest Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details]
- (b) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]

- (c) Provisions for determining Rate of Interest and/or Interest Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●]
- (d) Interest Periods: [●]
- (e) Specified Interest Payment Dates: [●]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (g) Business Center(s): [●]
- (h) Minimum Rate of Interest: [●] per cent. per annum
- (i) Maximum Rate of Interest: [●] per cent. per annum
- (j) Day Count Fraction: [●]
23. Dual Currency Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (b) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]
24. Default Rate [[●] per cent. per annum/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

25. Call Option [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●] per Calculation Amount
- (ii) Maximum Redemption Amount: [●] per Calculation Amount
- (d) Notice period: [●]

26. Put Option [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (c) Notice period: [●]
27. Final Redemption Amount of each Note [●] per Calculation Amount
28. Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●] per Calculation Amount
29. Other Redemption/Repurchase Events Condition 6(c) (Redemption for Taxation Reasons) and Condition 6(f) (Repurchase for Change of Control Triggering Event) are applicable [and [●] *(give details)*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

30. (a) Form of Notes: [Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] (may not be used when the D Rules apply)
- (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000". In addition, the "limited circumstances specified in the Permanent Global Note" option may have to be amended to permit such Specified Denomination construction. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
- [Registered Notes]
- (b) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable ("Not Applicable" may only be used in the case of Bearer Notes with a maturity of one year or less (taking into account any unilateral extension or rollover rights) or Registered Notes)]

31. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
32. Financial Center(s) or other special provisions relating to Payment Dates: [*Note that this paragraph relates to the Payment Date and Place of Payment, and not interest period end dates, to which sub paragraphs [20(e) and 22(g) relate]*]
33. 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: [Not Applicable/*give details*]
34. 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: [Not Applicable/*give details*]
35. Redenomination, Renominalisation and Reconventioning: [Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
36. Consolidation provisions: [Not Applicable/The provisions [In Condition [●]]]
37. Use of Proceeds: [Not Applicable/*give details*]
38. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

39. (a) If syndicated, names of Managers: [Not Applicable/*give names*]
 (b) Stabilising Manager (if any): [Not Applicable/*give names*]
40. If non-syndicated, name of Dealer: [Not Applicable/*give names*]
41. U.S. selling restrictions: Regulation S, Category 2
42. Additional selling restrictions: [Not Applicable/*give details*]
43. Interests of [Managers] [Dealers] involved in the issue/offer: [*Give details.*]

OPERATIONAL INFORMATION

44. ISIN Code[/CMU Instrument Code]: [●]
45. Common Code: [●]
46. LEI Code of Issuer: 549300ZIBIB6Z9RSNU64
47. Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): Not Applicable/*give name(s) and number(s)*]
48. Delivery: Delivery [against/free of] payment
49. Additional Paying Agent(s) (if any): [●]
50. Additional Registrar (if any): [●]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of the Issuer.]

RESPONSIBILITY

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

Signed on behalf of **China Cinda (2020) I Management Limited**

By: _____
Duly Authorised

Signed on behalf of **China Cinda (HK) Holdings Limited Company**

By: _____
Duly Authorised

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or CMU Service currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Dealers or the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Trust Deed will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "HKMA") for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Instruments") which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorized institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Instruments through an account with either Euroclear or Clearstream will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted through the CMU Service. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU Service. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the Euroclear, Clearstream or as the case may be, the CMU Service.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Registered Global Security. Each Registered Global Security will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Registered Global Security through Euroclear or Clearstream. Registered Global Notes may also be deposited with a sub-custodian for the HKMA as operator of the CMU Service.

Each Registered Global Security will be subject to restrictions on transfer contained in a legend appearing on the front of such Registered Global Security, as set out under “*Subscription and Sale*”.

All Registered Notes will initially be in the form of a Registered Global Security. Certificated securities will be available, in the case of Notes initially represented by a Registered Global Security, in amounts specified in the applicable Pricing Supplement.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the Circular on Promoting the Administrative Reform of the Filing and Registration System for the Issuance of Foreign Debts by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》) (the “**New NDRC Circular**”), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the New NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the New NDRC Circular, “foreign debts” means RMB-denominated or foreign currency-denominated debt instruments with a maturity of one year or above which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the New NDRC Circular.

Pursuant to the New NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within 5 working days of receipt and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application.

To issue foreign debts, an enterprise shall meet these basic conditions:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the New NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration.

According to the New NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “Belt and Road Initiative”, the coordinated development of Beijing, Tianjin, and Hebei province, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment.

As the New NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification. The Guarantor undertakes that it will comply with the requirements of the New NDRC Circular in respect of any Notes that may be issued under the Programme.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

Subject to the terms and conditions contained in a dealer agreement dated 7 January 2021, and as further amended and supplemented from time to time (the “**Dealer Agreement**”), between the Issuer, the Guarantor, the Dealers and the Arrangers, the Notes may be offered on a continuous basis by the Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Notes will be issued on a syndicated or non-syndicated basis.

The Issuer and the Guarantor will pay the relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Dealer Agreement provides that the obligations of the Dealers to purchase the Notes are subject to certain conditions, including, among others, the receipt by the Dealers of documentation related to the issuance and settlement of the Notes, officer’s certificates and legal opinions.

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 and the Guarantor.

The Issuer and the Guarantor have agreed, jointly and severally, to indemnify, defend and hold harmless each of the relevant Dealer(s), each of their respective subsidiaries and affiliates and certain other persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the relevant Dealer(s) may be required to make in respect of those liabilities.

Each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or their affiliates is a licensed broker or dealer in that Jurisdiction, the offering shall be deemed to be made by the relevant Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

STABILISATION

In connection with the issue of Notes in any Series or Tranche under the Programme, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or any person(s) acting for it (the “**Stabilisation Manager(s)**”) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and directives, over-allot Notes or effect transactions with a view to supporting the market price of the Notes in such a Series at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Dealers.

OTHER RELATIONSHIPS

The Dealers and the Arrangers and certain of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Dealers and the Arrangers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Dealers and the Arrangers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Dealers and the Arrangers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant portion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Guarantor and the Dealers and the Arrangers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and the Arrangers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Guarantor, the Parent, any other member of the Cinda Group or their respective affiliates, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Dealers and the Arrangers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Guarantor.

SELLING RESTRICTIONS

The Notes have not been and will not be registered under the laws of any jurisdiction, nor has any other action been taken, nor will any action be taken, by the Issuer, the Guarantor, the Dealers or any other person that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any supplement hereto or thereto, or any other offering material relating to the Issuer, the Guarantor or the Notes, in any country or jurisdiction where action for any such purpose may be required. The offer and sale of Notes, and the delivery of this Offering Circular, are restricted by law in certain jurisdictions and Notes may not be offered or sold, and this Offering Circular may not be distributed, in any jurisdiction under circumstances where such offer, sale or distribution would be prohibited or restricted by law.

Without limiting the foregoing, prospective purchasers of Notes should be aware of the following restrictions:

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to China Construction Bank (Asia) Corporation Limited by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Hong Kong

In relation to each Series 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 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 “**Companies (Winding Up and Miscellaneous Provisions) Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

PRC

Each Dealer has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region and the Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (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 (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:

- 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; or

- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prohibition of Sales to EEA 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 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 14/65/EU (as amended, “**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**”); and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

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.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree 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:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) 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, if it was not an authorised person, apply to the Issuer.
- (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.

Macau

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes may not be promoted, distributed, sold or delivered in the Macau Special Administrative Region of the People's Republic of China (Macau), or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

Taiwan

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes, directly or indirectly, in Taiwan, to investors other than Professional Institutional Investors as defined under Article 4 of the Financial Consumer Protection Act, unless otherwise permitted by the laws and regulations of Taiwan.

British Virgin Islands

No invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

General

These selling restrictions may be modified by the agreement of each of the Issuer, the Guarantor and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

TAXATION

The following summary of certain BVI, PRC and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

British Virgin Islands

Income Tax

As at the date of this Offering Circular, the Issuer are exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all interest, premium (if any), and principal paid by the Issuer to persons who are not persons resident in the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Notes or under the Guarantee.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “**SDO**”).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition 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-resident Noteholders in this “Taxation – PRC” section. 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 is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the Enterprise Income Tax Law effective on 29 December 2018 and the PRC Individual Income Tax Law effective on 1 January 2019, and their respective implementation regulations, an income tax is imposed on payments of interest by way of withholding in respect of the Notes, made by the Issuer or the Guarantor (if the Issuer or the Guarantor (as applicable) is regarded as a PRC enterprise under the Enterprises Income Tax Law) to non-resident Noteholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management bodies” of the Issuer or the Guarantor (as applicable) are within the territory of the PRC, the Issuer or the Guarantor (as applicable) may be held to be a PRC tax resident enterprise for the purpose of the Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% in respect of its income sourced from both within and outside PRC. If the Issuer or the Guarantor is regarded as a PRC tax resident enterprise, such enterprise income tax shall be withheld by the Issuer or the Guarantor (as applicable) that is acting as the obligatory withholder and it shall withhold the tax amount from each payment due.

However, the tax so charged on interests paid on the Notes to non-resident Noteholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006 (the “**Tax Arrangement**”) for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the Enterprise Income Tax 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 income 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. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

In addition, pursuant to Circular 36 which took effect on 1 May 2016 and respectively amended on 1 July 2017 and 1 April 2019, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that “loans” refer to the activity of lending capital for another’s use and receiving interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Notes is likely to be treated as a “loan” provided by the Noteholders to the Issuer or

the Guarantor, which thus shall be regarded as financial services for VAT purposes. In general, the income derived from the provision of loans will not be subject to VAT in the PRC if none of the Issuer, the Guarantor or the Noteholders is within the PRC. However, it is uncertain whether a foreign incorporated company which is deemed to be a PRC resident enterprise would be regarded as being within the PRC. In the event that the Issuer or the Guarantor is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Noteholders may be deemed to be providing financial services to the Issuer or the Guarantor within the PRC and consequently, the amount of interest on the Notes payable by the Issuer or the Guarantor (as applicable) to any non-resident Noteholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and neither the Issuer nor the Guarantor has the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, if the Issuer or the Guarantor is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Notes for any non-resident Noteholder and the Issuer or the Guarantor shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholder located outside of the PRC. However, in the event that the Issuer or the Guarantor is required to make such a deduction or withholding (whether by way of income tax, VAT or otherwise), the Issuer and the Guarantor have agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, as further set out in the *“Terms and Conditions of the Notes”*.

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 Securities is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

FATCA DISCLOSURE

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions 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 in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a

substitution of the issuer). However, if additional Notes (as described under “Terms and Conditions-Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission’s Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

GENERAL INFORMATION

1. CONSENTS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the performance of the Trust Deed. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Trust Deed. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and the Trust Deed. The entering into of the Trust Deed governing the Notes and the issue of the Notes have been authorised by resolutions of the board of directors of the Issuer dated 30 December 2020, and resolutions of the board of directors of the Guarantor passed on 16 September 2020.

2. LITIGATION

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Guarantor, any of its subsidiaries or any of its assets, nor is the Group aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes and the Guarantee.

3. AUDITOR

The Guarantor's consolidated financial information as at and for the years ended 31 December 2018 and 2019 is included in the accountants' report set forth in this Offering Circular and has been audited by Ernst & Young, its independent reporting accountants, as set forth in their report contained herein. Prospective investors must exercise caution when using such data to evaluate the Guarantor's financial condition and results of operations. Such historical audited consolidated financial information as at and for the years ended 31 December 2018 and 2019 should not be taken as an indication of the expected financial condition and results of operations of the Guarantor for the financial year ended 31 December 2019.

For the purpose of the offers and sales to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S, Ernst & Young has acknowledged the inclusion in this Offering Circular of all references to its name, its auditor's report on the Guarantor's consolidated financial information as at and for the years ended 31 December 2018 and 2019, in the form and context in which they are respectively included in this Offering Circular.

4. DOCUMENTS AVAILABLE

Copies of the following documents may be inspected during normal business hours (being 9:00 a.m. to 3:00 p.m. (Hong Kong time)) upon prior written notice and with satisfactory proof of holding on any weekday (except Saturdays, Sundays and public holidays) at the specified office of the Trustee:

- (i) audited consolidated financial statements of the Guarantor for the year ended 31 December 2018;
- (ii) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area or in the United Kingdom (the "UK") nor offered in the European Economic Area or in the UK in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);
- (iii) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (iv) the Trust Deed; and
- (v) the Agency Agreement.

So long as any of the Notes remain outstanding, the Issuer and the Guarantor have covenanted in the Trust Deed to send to the Trustee, within the time limits stipulated therein, copies of:

- (i) the Guarantor's audited consolidated financial statements for each financial year of the Guarantor; and
- (ii) the Guarantor's unaudited consolidated financial statements for each first semi-annual fiscal period of the Guarantor.

5. CLEARING SYSTEM AND SETTLEMENT

The Notes may be accepted for clearance through Euroclear, Clearstream or other alternative clearing system. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series 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.

6. LISTING OF THE NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12 month period from the date of this Offering Circular. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes. The Hong Kong Stock Exchange takes no responsibility for the correctness of any statements made on opinions or reports contained in this Offering Circular. Admission of the Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Notes or the Group.

7. NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Guarantor or the Group since 31 December 2019.

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Report of the Directors and Financial Statements

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

For the year ended 31 December 2019

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of China Cinda (HK) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 47 to the consolidated financial statements. There were no significant changes in the nature of the Company's and its subsidiaries' principal activities during the year.

Results

The results of the Group for the year ended 31 December 2019 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 6 to 149.

Charitable contributions

During the year, the Group made charitable contribution totalling HK\$1,260,000 (2018: HK\$306,000).

Share capital

Details of movements of share capital of the Company during the year are set out in note 40 to the consolidated financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Ma Yilin	
Shen Jiamu	
Shen Hongpu	
Feng Xing	
Liang Senlin	(appointed effective on 5 June 2019)
Yu Fan	(appointed effective on 24 June 2019)
Zhong Jin	(resigned effective on 5 June 2019)
Qi Mudan	(resigned effective on 5 June 2019)
Liu Jie	(resigned effective on 5 June 2019)

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) and up to the date of this report were:

Gong Zhijian	Li Ningqiao	Yiu Kwai Chu	Guo Yulan
Gong Yunfan	Li Xingke	Chen Zhiwei	Li Kei
Chen Xiaozhou	Liang Qiang ³	Wang Tong Sai ¹	Fang Hongguang ¹
Chan Sai Ming	Lau Hon Chuen	Zhou Lu	Li Sha
Li Xiaoxiao	Lan Hong Tsung, David	Chang Hsin Kang	Hung Muk Ming ²
Lau Mun Chung ²	Chow Kwok Wai ²	Zheng Yi ²	Xia Zhidong ²
Liu Xiaofeng ²	Cao Yabing	Huang Limei	Huang Qiang
Sun Jiandong	Zhang Yanshuai	Mark Tierny	Ed Riley
Chad Huang	Li Shu Pui ⁴	Chiu Lai Kuen, Susanna	

¹ resigned effective on 1 January 2019

² resigned effective on 6 June 2019

³ resigned effective on 25 February 2020

⁴ appointed effective on 27 November 2019

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Directors (continued)

There being no provision in the Company's articles of association for retirement by rotation, all existing directors continue in office.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding company, subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests in equity or debt securities

At no time during the year was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Permitted indemnity provision

The Company's bye-laws provides that the directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any directors. A Directors' Liability Insurance is in place to protect the directors against potential costs and liabilities arising from claims brought against the directors.

Events after the reporting period

Details of the significant events of the Group after the reporting period are set out in note 52 to the consolidated financial statements.

Auditors

Ernst & Young retire and a resolution for their appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Liang Senlin
Director

Hong Kong
29 April 2020



Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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Independent auditor's report

To the members of China Cinda (HK) Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Cinda (HK) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial 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 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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.



Independent auditor's report (continued)
To the members of China Cinda (HK) Holdings Company Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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. Our report is made 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 HKSAAs 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 HKSAAs, we exercise professional judgement 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.



Independent auditor's report (continued)
To the members of China Cinda (HK) Holdings Company Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company 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.

Certified Public Accountants

Hong Kong
29 April 2020

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Interest income	6	12,434,507	12,068,638
Net gains on financial assets at fair value through profit or loss	7	3,417,946	3,841,836
Investment income	8	3,740,209	2,526,433
Commission and fee income	9	1,795,924	2,025,447
Other income and gains/(losses), net	10	722,765	(11,942)
		<u>22,111,351</u>	<u>20,450,412</u>
Interest expense	11	(14,486,356)	(12,775,125)
Commission and fee expense		(121,912)	(320,908)
Other operating expenses	12	(4,036,376)	(3,857,965)
Impairment losses	13	(1,840,321)	(1,657,606)
		<u>(20,484,965)</u>	<u>(18,611,604)</u>
Profit before share of results of associates and joint ventures, and tax		1,626,386	1,838,808
Share of results of associates and joint ventures		<u>810,975</u>	<u>1,383,291</u>
Profit before tax		2,437,361	3,222,099
Income tax expense	14	(703,195)	(875,235)
Profit for the year		<u>1,734,166</u>	<u>2,346,864</u>
Profit/(loss) attributable to:			
Equity holders of the Company		1,314,585	1,844,557
Other equity instruments issued by a subsidiary		470,319	470,121
Non-controlling interests		<u>(50,738)</u>	<u>32,186</u>
		<u>1,734,166</u>	<u>2,346,864</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	<u>1,734,166</u>	<u>2,346,864</u>
Other comprehensive income/(loss) for the year: Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment, net of tax	108,603	82,132
Actuarial losses on remeasurement of defined benefit plan, net of tax	-	(6,012)
Net gains arising from fair value changes of equity instruments classified as financial assets at fair value through other comprehensive income, net of tax	<u>(669)</u>	<u>4,933</u>
	<u>107,934</u>	<u>81,053</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(949,308)	(1,242,363)
Net gains arising from fair value changes of debt instruments classified as financial assets at fair value through other comprehensive income, net of tax	469,420	413,296
Reclassification of investment revaluation reserve arising from impairment on financial assets at fair value through other comprehensive income	11,159	170,395
Reclassification of investment revaluation reserve arising from disposal of financial assets at fair value through other comprehensive income	(186,219)	(57,875)
Share of associates' investment revaluation reserve	<u>100,390</u>	<u>(190,320)</u>
	<u>(554,558)</u>	<u>(906,867)</u>
Other comprehensive loss for the year, net of tax	<u>(446,624)</u>	<u>(825,814)</u>
Total comprehensive income for the year	<u>1,287,542</u>	<u>1,521,050</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	866,567	1,018,743
Other equity instruments issued by a subsidiary	470,319	470,121
Non-controlling interests	<u>(49,344)</u>	<u>32,186</u>
	<u>1,287,542</u>	<u>1,521,050</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

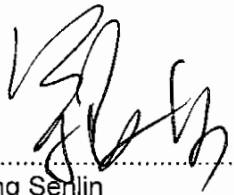
	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS			
Cash and balances with central banks	16	21,207,937	18,998,984
Deposits with banks and financial institutions	17	23,889,236	40,009,394
Placements with banks and financial institutions	18	12,449,820	21,080,229
Financial investments	19	203,440,296	174,475,235
Trade receivables from brokerage activities and disposal of investments	21	1,019,919	1,437,196
Loans and advances to customers	22	286,507,505	275,613,751
Loans granted under repurchase agreements	23	-	5,842,383
Interests in associates and joint ventures	24	11,930,408	13,781,610
Investment properties	25	2,465,584	525,650
Property, plant and equipment	26	15,405,620	9,748,396
Inventory		842,515	-
Intangible assets	27	4,486,629	4,590,607
Goodwill	28	25,851,817	25,964,206
Deferred tax assets	29	479,040	229,694
Other assets	30	13,930,367	4,540,254
		<u>623,906,693</u>	<u>596,837,589</u>
LIABILITIES			
Borrowings from central bank		27,687	-
Bank and other borrowings	31	58,036,809	54,526,936
Placements from banks and financial institutions	32	13,593,036	19,848,177
Financial liabilities at fair value through profit or loss	33	5,635,663	5,738,118
Financial assets sold under repurchase agreements	34	16,098,446	6,818,093
Accounts payable	35	3,213,568	1,364,688
Tax payable		1,109,065	738,372
Bonds issued	36	104,589,529	98,774,072
Due to customers	37	341,885,565	326,969,677
Deposits from banks and financial institutions	38	17,669,666	27,559,903
Deferred tax liabilities	29	1,735,868	1,660,948
Other liabilities	39	15,363,344	8,874,896
		<u>578,958,246</u>	<u>552,873,880</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
EQUITY			
Share capital	40	24,975,487	24,975,487
Retained earnings		9,513,615	8,464,218
Reserves		<u>322,924</u>	<u>518,914</u>
Equity attributable to equity holders of the Company		<u>34,812,026</u>	<u>33,958,619</u>
Other equity instruments issued by a subsidiary	41	9,314,890	9,314,890
Non-controlling interests		<u>821,531</u>	<u>690,200</u>
TOTAL EQUITY		<u>44,948,447</u>	<u>43,963,709</u>
TOTAL EQUITY AND LIABILITIES		<u>623,906,693</u>	<u>596,837,589</u>



 Liang Senlin
 Director



 Ma Yilin
 Director

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Attributable to equity holders of the Group										Total HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note (a))	Other reserve HK\$'000	Total HK\$'000	Other equity instruments issued by a subsidiary HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2019	24,975,487	8,464,218	360,647	260,655	(936,801)	873,685	(39,272)	33,958,619	9,314,890	690,200	43,963,709
Profit for the year	-	1,314,585	-	-	-	-	-	1,314,585	470,319	(50,738)	1,734,166
Other comprehensive income/ (loss) for the year	-	-	108,603	394,081	(950,702)	-	-	(448,018)	-	1,394	(446,624)
Total comprehensive income for the year	-	1,314,585	108,603	394,081	(950,702)	-	-	866,567	470,319	(49,344)	1,287,542
Acquisition of a non-wholly-owned subsidiary	-	-	-	-	-	-	-	-	-	504,178	504,178
Actuarial losses on defined benefit plan	-	(13,160)	-	-	-	-	-	(13,160)	-	-	(13,160)
Distribution payment for other equity instruments issued by a subsidiary	-	-	-	-	-	-	-	-	(470,319)	-	(470,319)
Transfer to statutory reserve	-	(252,028)	-	-	-	252,028	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(323,503)	(323,503)
At 31 December 2019	24,975,487	9,513,615	469,250	654,736	(1,887,503)	1,125,713	(39,272)	34,812,026	9,314,890	821,531	44,948,447

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2019

	Attributable to equity holders of the Group										
	Share capital HK\$'000	Retained earnings HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note (a))	Other reserve HK\$'000	Total HK\$'000	Other equity instruments issued by a subsidiary HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2018	24,975,487	6,964,761	278,515	(73,762)	422,876	575,432	(39,272)	33,104,037	9,314,890	520,834	42,939,761
Profit for the year	-	1,844,557	-	-	-	-	-	1,844,557	470,121	32,186	2,346,864
Other comprehensive income/ (loss) for the year	-	-	82,132	334,417	(1,242,363)	-	-	(825,814)	-	-	(825,814)
Total comprehensive income for the year	-	1,844,557	82,132	334,417	(1,242,363)	-	-	1,018,743	470,121	32,186	1,521,050
Investment in non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	137,180	137,180
Transfer to translation reserve	-	(46,847)	-	-	(117,314)	-	-	(164,161)	-	-	(164,161)
Distribution payment for other equity instruments issued by a subsidiary	-	-	-	-	-	-	-	-	(470,121)	-	(470,121)
Transfer to statutory reserve	-	(298,253)	-	-	-	298,253	-	-	-	-	-
At 31 December 2018	24,975,487	8,464,218	360,647	260,655	(936,801)	873,685	(39,272)	33,958,619	9,314,890	690,200	43,963,709

Note:

(a) In accordance with statutory requirements in the People's Republic of China, other than Hong Kong (the "PRC"), subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from retained earnings to the statutory reserve, until the statutory reserve is accumulated up to 50% of its registered capital. Under normal circumstances, the statutory reserve are not allowed to be distributed to the subsidiary's equity holders as dividends. The statutory reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its productions and operations.

In accordance with the requirement of the Hong Kong Monetary Authority, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	2,437,361	3,222,099
Adjustments for:		
Gain on disposal of property, plant and equipment	(46,599)	(227)
Gain on disposal of investment properties	-	(3,009)
Depreciation of property, plant and equipment	190,346	42,582
Amortisation of right-of-use assets	295,732	-
Amortisation of intangible assets	254,920	235,346
Finance costs	14,486,356	12,775,125
Impairment losses	1,683,449	1,737,096
Share of results of associates and joint ventures	(810,975)	(1,383,291)
Dividend income	(1,017,567)	(1,114,493)
Gain on disposal of associates	(209,097)	(4,696)
Interest income from bank deposits and investments	(5,029,596)	(4,472,763)
Gain on disposal of financial assets at fair value through other comprehensive income	(184,012)	-
Loss on disposal of investment in a subsidiary	108,295	-
Increase in fair value of investment properties	(12,024)	(87,936)
Operating cash flows before movements in working capital	<u>12,146,589</u>	<u>10,945,833</u>
Decrease in trade receivables from brokerage activities and disposal of investments	187,697	46,083
Increase in inventories	(76,876)	-
(Increase)/decrease in other assets	(4,323,096)	6,127,984
Increase in loans and advances to customers	(12,815,181)	(34,683,745)
Increase in financial assets at fair value through profit or loss	(5,919,675)	(10,959,413)
Increase in other financial investments	(28,099,048)	(5,543,706)
Decrease in loans granted under repurchase agreements	5,842,479	10,222,533
(Decrease)/increase in placements from banks and financial institutions	(6,255,141)	2,994,350
Increase/(decrease) in accounts payable	1,951,212	(1,071,470)
Increase/(decrease) in other liabilities	6,048,042	(425,586)
Increase in financial assets sold under repurchase agreements	9,280,353	3,617,669
Increase in due to customers	14,915,888	16,406,266
Increase in financial liabilities at fair value through profit or loss	454,530	364,968
(Decrease)/increase in deposits from banks and financial institutions	(9,890,237)	2,592,287
Decrease/(increase) in deposits with and placements with banks and financial institutions with a maturity over 3 months	<u>1,028,552</u>	<u>(5,302,438)</u>
Cash used in operations	<u>(15,523,912)</u>	<u>(4,668,385)</u>
Tax paid	<u>(583,976)</u>	<u>(897,209)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(16,107,888)</u>	<u>(5,565,594)</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(6,007,772)	(2,071,950)
Proceeds on disposal of property, plant and equipment	250,596	12,983
Addition of intangible assets	(155,923)	(176,360)
Proceeds on disposal of investment properties	-	5,179
Investment in associates	-	(68,672)
Proceeds from disposal of associates	1,593,496	1,053,185
Interest income from banks and investments	4,812,749	4,726,406
Dividends received	1,598,635	1,216,591
Withdrawal of restricted and pledged deposits	12,100	2,993
Net cash flow arising from acquisition of a subsidiary	273,031	137,180
Net cash flow from disposal of subsidiaries	<u>(338,276)</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES	<u>2,038,636</u>	<u>4,837,535</u>
FINANCING ACTIVITIES		
Finance costs paid	(14,487,195)	(12,571,038)
Borrowings from central bank	27,687	-
New bank and other borrowings raised	8,575,729	4,484,396
Repayment of bank and other borrowings	(5,872,086)	(6,090,640)
Bonds issued	15,777,366	102,088,738
Repayment of bonds issued	(9,875,636)	(77,950,826)
Lease payments	(293,154)	-
Distribution payment for other equity instruments issued by a subsidiary	<u>(470,319)</u>	<u>(470,121)</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(6,617,608)</u>	<u>9,490,509</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(20,686,860)</u>	<u>8,762,450</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>70,627,180</u>	<u>62,156,434</u>
Effect of foreign exchange rate changes	<u>(814,102)</u>	<u>(291,704)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balance and cash	<u><u>49,126,218</u></u>	<u><u>70,627,180</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances with central banks	21,207,937	18,998,984
Deposits with banks and financial institutions	23,889,236	40,009,394
Placements with banks and financial institutions	<u>12,449,820</u>	<u>21,080,229</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	57,546,993	80,088,607
Restricted and pledged deposit	-	(12,100)
Deposits with banks and financial institutions with a maturity over 3 months	(6,647,981)	(7,474,892)
Placements with banks and financial institutions with a maturity over 3 months	<u>(1,772,794)</u>	<u>(1,974,435)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>49,126,218</u>	<u>70,627,180</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

China Cinda (HK) Holdings Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its registered office and principal place of business are located at Floor 12, AIA Central, No. 1 Connaught Road Central, Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- investment holding
- provision of banking and related financial services
- provision of brokerage, asset management and related financial services
- provision of consulting and advisory business on finance and other financial services

In the opinion of the directors, the Company's immediate and ultimate holding company is China Cinda Asset Management Co., Ltd. ("China Cinda"), a company registered in the People's Republic of China (the "PRC") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEX").

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for land and buildings in property, plant and equipment, investment properties, precious metals in other receivables, certain financial investments which have been measured at fair value and certain financial liabilities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time in the current year's financial statements, which are applicable to the Group.

HKFRS 16	<i>Leases</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

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

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as interest expense).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. Right-of-use assets were included in other assets in these consolidated financial statements.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Accordingly, the Group recognised right-of-use assets of HK\$855,752,000 and lease liabilities of HK\$819,851,000 as at 1 January 2019. The difference between right-of-use assets and lease liabilities is related to the adjustment arising from prepaid or accrued rent as at initial adoption date.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Financial impact at 1 January 2019

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	576,795
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(18,276)
Less: The impact of variable lease payments that do not depend on an index or rate	(57,568)
Less: The impact of lease payments discounted at incremental borrowing rate as at 1 January 2019	(59,208)
Add: The impact of extension options reasonably certain to be exercised	385,151
Less: Others	(7,043)
Lease liabilities as at 1 January 2019	<u>819,851</u>
Right-of-use assets as at 1 January 2019	<u>855,752</u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

31 December 2019

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Group's financial statements upon becoming effective:

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

31 December 2019

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting and potential voting rights; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Basis of consolidation (continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein. The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income and expenses of a subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The carrying amount of the non-controlling interests is adjusted at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment losses.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognised at the date of acquisition as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

Upon disposal of an associate that results in the Group losing significant influence over that investee, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with HKFRS 9 *Financial Instruments*. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill arising on a business combination is measured at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market, or in the absence of a principal market, in the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment

Property, plant and equipment including land and buildings, construction in progress, and other equipment held for use in production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses and subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case this increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation of property and equipment is calculated using the straight-line method to allocate cost or revalued amounts to its residual value over its estimated useful life. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives. The principal annual rates used for this purposes are as follows:

Land and buildings (Hotel properties)	5%
Machinery and equipment	7% - 50%
Electronic equipment	20%
Motor vehicles	10% - 20%
Passenger aircrafts	4%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss and borrowing cost capitalised in accordance with the Group's accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Aircraft are assessed for recoverability in accordance with HKAS 36 *Impairment of Assets*, at each reporting date or whenever events or changes in circumstances indicates that their carrying value may not be recoverable. For the purposes of measuring an impairment loss, each aircraft is tested individually by comparing its carrying amount to the higher of value in use and fair value less cost to sell.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Value in use is determined as the total cash flows expected to be generated by an aircraft, discounted at a market rate. Fair value is determined as an average of three professional valuations obtained from independent appraisers. The review for recoverability has a level of subjectivity and requires the use of judgement in the assessment of estimated future cash flows associated with the use of an aircraft and its eventual disposition. Expected future cash flows are based on all relevant information available, including the existing lease, current contracted rates for similar aircraft, residual values, economic conditions, technology, airline demand for a particular type of aircraft, appraisal data and industry trends, and assumptions about downtime between re-leasing and the amount of re-leasing costs.

Residual values of property, plant and equipment are determined based on estimated values at the end of the useful lives of aircraft assets, which are supported by estimates received from independent appraisers. Generally, the residual value of aircraft is estimated at 15% of original manufacture cost. Management may, at its discretion, make exceptions to this policy when, in its judgement, the residual value estimated pursuant to this policy does not appear to reflect current expectations of residual values.

The market value of property, plant and equipment is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Group uses independent, professional valuations as an estimate of fair value of aircraft.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance right assets

For maintenance right asset there are two types detailed below, End of Lease (“EOL”) leases and Cash Maintenance (“MR”) leases:

EOL Leases

Under EOL Leases, the lessee is obligated to comply with certain return conditions at redelivery which require the lessee to perform lease end maintenance work or make cash compensation payments at the end of the lease to bring the aircraft into a specified maintenance condition. Maintenance right asset in EOL Leases represent the difference in value between the contractual right to receive an aircraft in an improved maintenance condition together with EOL cash compensation as compared to the maintenance condition on the acquisition date. Maintenance right liabilities exist in EOL Leases if, on the acquisition date, the maintenance condition of the aircraft is greater than the contractual return condition in the lease and the Company is required to pay the lessee in cash for the improved maintenance condition. Maintenance right assets and liabilities, net are recorded as a separate component in property, plant and equipment on the consolidated statement of financial position.

When the Group has recorded maintenance right assets with respect to EOL Leases, the following accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment to the Group by the lessee, an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group’s capitalisation policy and any remaining maintenance right asset is then fully amortised, and (ii) the lessee pays the Group cash compensation at lease expiry, an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group’s capitalisation policy, the maintenance right asset is then amortised and any excess is recognised as end of lease income consistent with the Group’s existing policy. Any aircraft improvement will be depreciated over the remaining useful life of the aircraft. When the Group has recorded maintenance right liabilities with respect to EOL Leases, the following accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment by the Group to the lessee, the maintenance right liability is amortised at lease expiry and end of lease income is recognised, and (ii) the Group pays the lessee cash compensation at lease expiry, the maintenance right liability is amortised and any difference is recognised as end of lease income.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance right assets (continued)

Cash MR Leases

Under Cash MR Leases, the lessee is required to make periodic payments to the Group for maintenance based upon usage of the aircraft. When qualifying major maintenance is performed during the lease term, the Group is required to reimburse the lessee for qualifying costs associated with such maintenance. At the end of lease, the Group is entitled to retain any cash receipts in excess of the required reimbursements to the lessee. Maintenance right asset in Cash MR Leases represent the right to receive an aircraft in an improved condition during the lease term relative to the actual condition on the acquisition date. The aircraft is improved by the performance of qualifying major maintenance paid for by the lessee who is reimbursed by the Group from the periodic maintenance payments that it receives. Maintenance right asset, net will be recorded in property, plant and equipment on the consolidated statement of financial position.

Where the Group has recorded maintenance right assets with respect to Cash MR Leases and when the Group has reimbursed the lessee for the performance of qualifying major maintenance, the maintenance right asset is derecognised and an aircraft improvement is recorded. Under Cash MR Leases, the Group does not record a maintenance right liability because it has no obligation to make payments to the lessee, beyond reimbursement of maintenance payment liabilities or payment of lease incentive obligations, which are already recorded in the consolidated financial statements.

Accrued maintenance liabilities

Accrued maintenance liabilities reserves received in cash from lessees are recognised as maintenance liabilities on the consolidated statement of financial position (included in other liabilities) in recognition of the contractual commitment to either refund such receipts or to hold them for future scheduled maintenance work to be performed thereafter. Maintenance work performed by lessees will not be capitalised, but instead will be recorded as a refund of maintenance reserve and shown as a deduction from the payments by the Group for maintenance liabilities account on the consolidated statement of financial position. Lessor contributions and top-ups to maintenance reserves will be recorded as a leasing expense (over the term of the lease), except where a liability exists by virtue of having purchased an aircraft with leases attached including an obligation to refund maintenance reserve payments made to date by the lessee, or where they are deemed to be modifications/improvements that materially improve the value of the asset/lease or extends its useful life whereby it would be capitalised and depreciated over the respective life of the asset or remaining term of the lease. When flight equipment is sold the portion of accrued liability which is not assigned to the buyer is recognised as sales revenue. The Group relies on its ongoing use of its maintenance forecasting model to assess contractual commitments to refund maintenance receipts, and recognise any excess reserves in the consolidated statement of profit or loss and other comprehensive income.

Lease premium asset

Lease premium asset represents the value of an acquired lease where the contractual rent payments are above the market at the date of acquisition. This asset is amortised over the expected term of the related lease agreement and recorded as a non-cash reduction in lease rental income.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

Intangible assets

Intangible assets with finite useful lives include computer software systems and others, core deposits intangible and credit card customer relationships.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. The Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary. The useful life of each intangible asset is as follows:

Computer software systems and others	3-5 years
Core deposits intangible	20 years
Credit card customer relationships	10 years

Intangible assets, including trading rights and trade names, with indefinite useful lives are not amortised.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	1 to 7 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other liabilities.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

The Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an 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.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019) (continued)

The Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as investment income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as net gains on financial assets at fair value through profit or loss in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Stage I	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage II	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage III	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

- (a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

(a) Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

(b) Other financial liabilities

Other financial liabilities 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, with gain or loss arising from derecognition or amortisation recognised in consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expenses in the consolidated statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying strict criteria for hedge accounting are accounted for as follows:

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, e.g. due to repayment of the hedged item, the unamortised carrying value adjustment (the difference between the carrying value of the hedged item at the time of termination and the value at which it would have been carried had the hedge never existed) to the hedged item is amortised to the consolidated statement of profit or loss over the remaining life of the hedged item by the effective interest method. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the consolidated statement of profit or loss.

Hedges of a net investment

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

Inventories

Inventories included properties under development for sale which are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale. Properties under development for sales are transferred to completed properties held for sales upon completion. Properties under development for sales are transferred to property, plant and equipment when there is a change in use, evidenced by commencement of owner-occupation which the carrying amount is carried forward and transferred to property, plant and equipment as the cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Precious metals

Precious metals comprise gold. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in other income and gains.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

Foreign currency transactions

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.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at a rate that approximates the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, fund and asset management business, consultancy and financial advisory business, banking business, and etc. which the Group provides to customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed. Loan syndication fees are recognised as revenue when the related syndication arrangement has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as applicable to the other participants

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

Employee benefits

Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the statement of profit or loss as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

Defined benefit plan

A subsidiary of the Group operates a defined benefit plan which is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from actuarial gains and losses of the defined benefit plan, is recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "interest expense" and "other operating expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the consolidated statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported in “other assets” in the consolidated statement of profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured in accordance with the general principles set out in HKAS 12.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial investments

The Group reviews its investment portfolios to assess impairment at least on an annual basis. The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires 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 estimates are driven by a number of factors, changes in which result in different levels of allowance. The Group's ECL calculation are outputs of complex models with a number of underlying assumptions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Impairment of interests in associates

As at the reporting period end, the Group's carrying value of its investment in Yancoal Australia Ltd ("Yancoal"), an associate of the Group, amounted to HK\$6,096,186,000 (2018: HK\$5,991,574,000). For impairment testing, the Group has performed an impairment assessment and calculated the value-in-use of Yancoal, using a discounted cash flow model with a forecast compiled by the management of Yancoal with reference to the estimated value of the coal mines controlled by Yancoal. In carrying out the impairment assessment, significant judgements and assumptions are required to estimate the value of the coal mines.

Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate to determine the present value of future cash flows.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Fair values of derivative financial instruments

The fair values of derivative financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. Further details will be discussed in Note 5.

Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Fair value of investment properties and property, plant and equipment

Investment properties and certain of the Group's property, plant and equipment are stated at fair value or revalued amount based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the relevant property, plant and equipment and the corresponding adjustments to the amount of gain or loss reported in consolidated statement of profit or loss or other comprehensive income, as appropriate. As at reporting period end, the carrying amount of investment properties and the relevant property, plant and equipment are HK\$2,465,584,000 (2018: HK\$525,650,000) and HK\$15,405,620,000 (2018: HK\$9,748,396,000), respectively.

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4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes borrowings and bonds net of cash and cash equivalents of HK\$113,500,120,000 (2018: HK\$82,673,828,000) and equity attributable to equity holders of the Company, comprising issued share capital and reserves of HK\$34,812,026,000 (2018: HK\$33,958,619,000).

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with capital. The Group will balance its overall capital structure through issuance of new debts and the redemption of existing debts.

Further, certain of the Group's subsidiaries are licensed by the Hong Kong Securities and Futures Commission ("SFC"). These subsidiaries, licensed by the SFC, are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times. These subsidiaries were disposed during the year. During the period up to the date of disposal, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R.

A subsidiary of the Group is authorised by the China Securities Regulatory Commission (the "CSRC") to deal in 'B' shares. The CSRC stipulated a minimum amount of net assets of RMB50 million to be maintained. During the current and prior financial years, the subsidiary maintained net assets over such requirement.

Further, certain subsidiaries of the Group are also subject to certain capital requirement imposed by the Hong Kong Monetary Authority ("HKMA") and the China Banking Regulatory Commission ("CBRC"). The Banking (Capital) Rule stipulates a minimum capital requirement. During the current and prior financial years, these subsidiaries complied with the capital requirement.

5. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

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5. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management framework (continued)

The board of directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The risk management department and other relevant functional units are responsible for monitoring financial risks.

For Nanyang Commercial Bank, Limited ("NCB"), the bank has a separate independent governance structure catering for the needs of the banking business, to assist the Group's senior management to manage the risk.

Credit risk

Credit risk management

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. The Group's major credit risks mainly arise from financial assets classified as receivables, deposits and placements with banks and financial institutions, derivative financial instruments, certain financial investments, loan granted under repurchase agreements and also loans and advances to customers and contingent liabilities and commitment.

The Group generally implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;
- Obtaining effective collateral from counterparty to mitigate risks.

In particular, the Group is primarily subject to the credit risk arising from its loans and advances to customers, and its debt securities and derivatives which are managed as follows:

Loans and advances to customers

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. All credit applications are subject to thorough risk assessment and proper approval. In general, most of the credit applications will be reviewed and assessed by independent officer(s) of risk management unit(s) before approval, with exceptions given to designated advances which satisfy certain conditions. After funding being drawn, these designated advances will be (randomly) reviewed by designated unit(s) which is(are) independent from the front line business units.

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk management (continued)

Loans and advances to customers (continued)

For the banking subsidiary of the Group, obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to credit applications for non-retail exposures to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business retail exposures, residential mortgage loans, personal loans, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval. The Banking subsidiary also uses loan grades, obligor ratings and loss estimates (if applicable) to support monitoring, reporting and analysis of credit risk. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools. It employs an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

Regular or ad hoc credit risk management information reports are provided to the Management, and various committee set under the Board, to facilitate their continuous monitoring of credit risk. In addition, the Group identifies credit concentration risk by industry, geography, types of securities, and customer and counterparty.

The Group monitors changes in counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's management.

Debt securities and derivatives

For investments in debt securities, the obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivatives transactions in any situation where a payment in cash, securities or equities is made in the failure of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition apply the Stage I Model of the ECL to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment apply the Stage II Model of the ECL, with their impairment provision measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage III: Financial assets with objective evidence of impairment at the balance sheet date apply the Stage III Model of ECL, with their impairment provisions measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

If the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment provision for the financial instruments on the balance sheet date according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Measurement of ECL (continued)

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk;
- Definition of credit-impaired financial asset;
- Parameters for measuring ECL;
- Forward-looking information; and
- Modification of contractual cash flows.

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort. The main criteria considered are as follows:

- Significant adverse change in the issuer or the debtor's operation or financial status;
- Significant downgrade in debtor's actual or expected internal and external credit ratings;
- The creditor offers the debtor a grace period or an extension period or debt restructuring;
- Significant increase in credit spread; and
- Overdue information.

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Measurement of ECL (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Based on the requirement of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Measurement of ECL (continued)

Parameters of the ECL measurement (continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment in the next 12 months or throughout the entire remaining lifetime;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure, and is the percentage of loss of risk exposure at the time of default. LGD is calculated over the next 12 months or over the entire remaining lifetime; and
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impacts of these economic indicators on the ECL measurement vary according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or lifetime (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Measurement of ECL (continued)

Modification of contractual cash flows (continued)

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage III or Stage II to Stage I. The adjustment of the modified assets can only be made after meeting specified criteria throughout the observation period. As at 31 December 2019, the carrying amount of financial assets with such modified contractual cash flows was not significant.

Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows:

Deposits and placements with banks and financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Financial investments

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") derivative transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit exposures (continued)

Loan granted under repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

Loans and advances to customers, contingent liabilities and commitments

Loans and advances to customers, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed below and the components and nature of contingent liabilities and commitments are disclosed in Note 44. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 11.69% (2018: 21.08%) was covered by collateral as at 31 December 2019.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Key concentration of loans and advances to customers at amortised cost

By geographical area

<u>Geographical area</u>	2019		2018	
	HK\$'000	%	HK\$'000	%
Hong Kong	204,495,816	75	181,786,535	69
Outside Hong Kong	<u>69,279,777</u>	<u>25</u>	<u>83,411,713</u>	<u>31</u>
Total	<u>273,775,593</u>	<u>100</u>	<u>265,198,248</u>	<u>100</u>

By industry sector

<u>Industry</u>	As at 31 December			
	2019		2018	
	<u>Gross amount</u>	<u>%</u>	<u>Gross amount</u>	<u>%</u>
	HK\$'000		HK\$'000	
Corporate business				
Real estate	93,730,778	34	79,372,021	30
Leasing and commercial services	31,824,949	12	41,194,013	16
Manufacturing	28,061,504	10	29,905,288	11
Finance	21,319,144	8	26,576,478	10
Accommodation and catering	4,313,500	2	3,379,708	1
Information transmission, computer services and software	5,170,008	2	5,881,566	2
Construction	6,543,858	2	7,940,022	3
Electricity, gas and water production and supply	7,079,825	3	6,415,735	2
Transportation, logistics and postal services	6,855,036	2	10,015,975	4
Wholesale and retail trade	7,345,535	3	1,958	-
Others	<u>9,256,737</u>	<u>3</u>	<u>9,880,703</u>	<u>4</u>
Sub-total	<u>221,500,874</u>	<u>81</u>	<u>220,563,467</u>	<u>83</u>
Personal business				
Mortgage	29,380,780	11	28,938,212	11
Personal consumption loans	<u>22,893,939</u>	<u>8</u>	<u>15,515,143</u>	<u>6</u>
Sub-total	<u>52,274,719</u>	<u>19</u>	<u>44,453,355</u>	<u>17</u>
Loans to margin clients	-	-	181,426	-
Total	<u>273,775,593</u>	<u>100</u>	<u>265,198,248</u>	<u>100</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Key concentration of loans and advances to customers at amortised cost (continued)

By security type

The following analysis of the concentration of gross loans and advances to customers by security type:

<u>Security</u>	As at 31 December			
	<u>2019</u>		<u>2018</u>	
	<u>Gross amount</u>	<u>%</u>	<u>Gross amount</u>	<u>%</u>
	HK\$'000		HK\$'000	
Unsecured	122,951,379	45	117,699,960	45
Guaranteed	23,760,675	9	32,660,285	12
Mortgaged	71,053,932	26	61,944,448	24
Pledged	<u>56,009,607</u>	<u>20</u>	<u>52,893,555</u>	<u>19</u>
Total	<u>273,775,593</u>	<u>100</u>	<u>265,198,248</u>	<u>100</u>

Credit quality of loans and advances to customers at amortised cost

	2019	2018
	HK\$'000	HK\$'000
Neither past due nor impaired	269,006,917	261,669,248
Past due but not impaired	1,370,535	581,014
Impaired (Note 1)	<u>3,398,141</u>	<u>2,947,986</u>
Sub-total	273,775,593	265,198,248
Allowances for impairment losses	<u>(3,977,117)</u>	<u>(3,512,514)</u>
Total	<u>269,798,476</u>	<u>261,685,734</u>

Note 1:

Impaired

	2019	2018
	HK\$'000	HK\$'000
Gross amount	3,398,141	2,947,986
Allowances for impairment losses	<u>(2,101,105)</u>	<u>(1,547,798)</u>
Net carrying amount	<u>1,297,036</u>	<u>1,400,188</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality of loans and advances to customers at amortised cost (continued)

Note 1: (continued)

Impaired (continued)

	2019		2018	
	Gross amount HK\$'000	Market value of collateral HK\$'000	Gross amount HK\$'000	Market value of collateral HK\$'000
Loans and advances to customers				
Personal				
- Mortgages	104,915	265,166	86,599	316,160
- Credit cards	2,874	-	5,090	-
- Others	20,149	51,841	42,737	93,288
Corporate				
- Commercial loans	3,266,413	2,546,591	2,758,334	3,175,930
- Trade finance	3,790	-	55,226	-
	<u>3,398,141</u>	<u>2,863,598</u>	<u>2,947,986</u>	<u>3,585,378</u>
Impairment allowances	<u>2,101,105</u>		<u>1,547,798</u>	

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)*Credit quality of loans and advances to customers at amortised cost* (continued)

Note 1: (continued)

Impaired (continued)

	2019 HK\$'000	2018 HK\$'000
Gross impaired loans and advances to customers	<u>3,398,141</u>	<u>2,947,986</u>
Gross impaired loans and advances to customers as a % of gross loans and advances to customers	<u>1.24%</u>	<u>1.11%</u>

Concentration of impaired loans and advances to customers at amortised cost

<u>Geographical area</u>	2019		2018	
	HK\$'000	%	HK\$'000	%
Hong Kong	1,330,022	39	1,939,858	66
Outside Hong Kong	<u>2,068,119</u>	<u>61</u>	<u>1,008,128</u>	<u>34</u>
Total	<u>3,398,141</u>	<u>100</u>	<u>2,947,986</u>	<u>100</u>

Credit quality of investment products

The tables below set forth the credit quality of investment products, including treasury bills, debt securities, and trust plans and asset management plans.

	2019 HK\$'000	2018 HK\$'000
Neither past due nor impaired (Note 1)	157,921,194	129,387,788
Past due but not impaired	-	-
Impaired (Note 2)	<u>181,869</u>	<u>182,907</u>
Sub-total	158,103,063	129,570,695
Allowances for impairment losses	<u>(235,290)</u>	<u>(248,842)</u>
Total	<u>157,867,773</u>	<u>129,321,853</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality of investment products (continued)

Note 1:

Neither past due nor impaired

	2019				2018			
	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Treasury bills	6,662,581	578,785	60,901,177	68,142,543	4,746,318	738,935	45,465,785	50,951,038
Debt securities	3,115,536	1,983,131	82,375,450	87,474,117	4,543,484	2,330,334	68,223,922	75,097,740
Convertible bonds	578,418	-	-	578,418	134,971	-	-	134,971
Debt investments	-	-	-	-	12,631	-	-	12,631
Other financial instruments with embedded derivatives bonds	260,520	-	-	260,520	935,693	-	-	935,693
Trust products	108,070	-	-	108,070	53,726	-	-	53,726
Trust plans and asset management plans	-	1,353,627	-	1,353,627	-	2,187,989	-	2,187,989
Others	-	3,899	-	3,899	-	14,000	-	14,000
Sub-total	<u>10,725,125</u>	<u>3,919,442</u>	<u>143,276,627</u>	<u>157,921,194</u>	<u>10,426,823</u>	<u>5,271,258</u>	<u>113,689,707</u>	<u>129,387,788</u>
Allowances for impairment losses	-	(53,421)	-	(53,421)	-	(65,935)	-	(65,935)
Total	<u>10,725,125</u>	<u>3,866,021</u>	<u>143,276,627</u>	<u>157,867,773</u>	<u>10,426,823</u>	<u>5,205,323</u>	<u>113,689,707</u>	<u>129,321,853</u>

As at 31 December 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was HK\$143,276,627,000 (2018: HK\$113,689,707,000), the allowances of HK\$58,061,000 (2018: HK\$58,985,000) was recognised in other comprehensive income.

Note 2:

Impaired

As at 31 December 2019, the gross amount of the impaired investment products at fair value through other comprehensive income was HK\$181,869,000 (2018: HK\$182,907,000), and the allowances of HK\$181,869,000 (2018: HK\$182,907,000) was recognised in other comprehensive income.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality of investment products (continued)

Investment products analysed by credit rating from reputable rating agencies

	2019						2018					
	AAA HK\$'000	AA HK\$'000	A HK\$'000	Below A HK\$'000	Unrated HK\$'000	Total HK\$'000	AAA HK\$'000	AA HK\$'000	A HK\$'000	Below A HK\$'000	Unrated HK\$'000	Total HK\$'000
Treasury bills	1,235,499	42,482,267	657,317	-	23,767,387	68,142,470	-	31,643,901	17,973,011	1,333,943	-	50,950,855
Debt securities	10,496,227	10,789,281	39,856,478	20,796,777	5,534,948	87,473,711	8,288,798	6,723,483	39,291,449	15,798,898	4,994,668	75,097,296
Convertible bonds	-	-	-	-	578,418	578,418	-	-	-	-	134,971	134,971
Debt investments	-	-	-	-	-	-	-	-	-	-	12,631	12,631
Other financial instruments with embedded derivatives	-	-	-	-	260,520	260,520	-	-	-	-	935,693	935,693
Trust products	-	-	-	-	108,070	108,070	-	-	-	-	53,726	53,726
Trust plans and asset management plans	-	-	-	-	1,300,685	1,300,685	-	-	2,122,681	-	-	2,122,681
Others	-	-	-	-	3,899	3,899	-	-	-	-	14,000	14,000
Total	11,731,726	53,271,548	40,513,795	20,796,777	31,553,927	157,867,773	8,288,798	38,367,384	59,387,141	17,132,841	6,145,689	129,321,853

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments respectively.

The Group manages its interest rate risk by:

- minimising the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED
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5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

At the end of each reporting period, the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date are as follows:

	31 December 2019							Total HK\$'000
	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non-interest bearing HK\$'000		
Financial assets								
Cash and balances with central banks	15,944,716	-	-	-	-	-	5,263,221	21,207,937
Deposits with banks and financial institutions	14,377,818	5,589,829	2,773,210	-	-	-	1,148,379	23,889,236
Placements with banks and financial institutions	10,266,769	1,314,179	868,872	-	-	-	-	12,449,820
Financial investments:								
- Financial assets at fair value through profit or loss	2,418,359	1,594,554	4,205,946	2,208,691	370,535	45,468,400	56,266,485	
- Financial assets at fair value through other comprehensive income	16,261,965	28,825,131	47,145,318	48,724,877	2,319,336	31,163	31,163	143,307,790
- Financial assets at amortised cost	-	-	1,169,597	2,692,525	-	3,899	3,899	3,866,021
Trade receivables from brokerage activities and disposal of investments	188,375,999	42,992,545	35,711,724	17,941,404	1,485,833	-	1,019,919	1,019,919
Loans and advances to customers	-	-	-	-	-	-	-	-
Loans granted under repurchase agreements	-	-	-	-	-	-	-	-
Other financial assets	7,175	-	-	-	-	-	-	-
Total	<u>247,652,801</u>	<u>80,316,238</u>	<u>91,874,667</u>	<u>71,567,497</u>	<u>4,175,704</u>	<u>65,484,134</u>	<u>12,549,153</u>	<u>12,556,328</u>
								<u>561,071,041</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	31 December 2019						Total HK\$'000
	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non-interest bearing HK\$'000	
<u>Financial liabilities</u>							
Borrowings from central banks	-	-	27,687	-	-	-	27,687
Bank and other borrowings	878,410	3,173,690	2,707,097	30,924,310	20,339,832	13,470	58,036,809
Placements from banks and financial institutions	7,155,106	3,982,728	2,444,774	-	-	10,428	13,593,036
Financial liabilities at fair value through profit or loss	3,789,576	913,499	345,484	-	-	587,104	5,635,663
Financial assets sold under repurchase agreements	6,727,085	6,085,405	1,285,956	-	-	2,000,000	16,098,446
Accounts payable	-	-	-	-	-	3,213,568	3,213,568
Bonds issued	1,124,413	3,623,006	11,276,532	44,147,260	44,381,352	36,966	104,589,529
Due to customers	149,408,041	73,565,318	100,642,859	8,979,355	345,506	8,944,486	341,885,565
Deposits from banks and financial institutions	4,625,935	3,304,475	2,835,137	6,837,616	-	66,503	17,669,666
Other financial liabilities	15,814	30,166	152,819	444,667	109,479	13,335,784	14,088,729
Total	173,724,380	94,678,287	121,718,345	91,333,208	65,176,169	28,208,309	574,838,698

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	31 December 2018						Total HK\$'000
	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non-interest bearing HK\$'000	
<u>Financial assets</u>							
Cash and balances with central banks	16,624,522	-	-	-	-	2,374,462	18,998,984
Deposits with banks and financial institutions	23,744,936	5,767,723	9,371,609	-	-	1,125,126	40,009,394
Placements with banks and financial institutions	16,336,943	4,168,372	572,846	-	-	2,068	21,080,229
Financial investments:							
- Financial assets at fair value through profit or loss	2,766,576	559,181	3,393,613	9,677,251	553,725	38,598,026	55,548,372
- Financial assets at fair value through other comprehensive income	11,823,069	19,250,654	34,344,402	44,855,951	3,415,631	31,833	113,721,540
- Financial assets at amortised cost	-	58,904	1,733,182	3,399,237	-	14,000	5,205,323
Trade receivables from brokerage activities and disposal of investments	-	-	1,197,419	-	-	239,777	1,437,196
Loans and advances to customers	162,147,216	64,439,968	32,049,338	15,646,276	1,330,953	-	275,613,751
Loans granted under repurchase agreements	5,842,383	-	-	-	-	-	5,842,383
Other financial assets	48,541	166	57	274,194	-	3,705,174	4,028,132
Total	239,334,186	94,244,968	82,662,466	73,852,909	5,300,309	46,090,466	541,485,304

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	31 December 2018						Total HK\$'000
	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non-interest bearing HK\$'000	
<u>Financial liabilities</u>							
Bank and other borrowings	1,677,160	3,185,972	5,387,042	24,543,472	19,733,290	-	54,526,936
Placements from banks and financial institutions	5,101,831	6,667,126	8,079,220	-	-	-	19,848,177
Financial liabilities at fair value through profit or loss	1,667,295	1,943,724	1,192,257	-	-	934,842	5,738,118
Financial assets sold under repurchase agreements	3,626,787	1,833,635	357,671	-	-	1,000,000	6,818,093
Accounts payable	-	-	-	-	163,120	1,201,568	1,364,688
Bonds issued	170,830	-	9,164,887	40,157,287	49,281,068	-	98,774,072
Due to customers	158,953,819	70,438,660	77,220,907	12,139,388	221,866	7,995,037	326,969,677
Deposits from banks and financial institutions	6,922,663	9,862,078	7,370,287	3,106,520	113,953	184,402	27,559,903
Other financial liabilities	803,620	21,534	499,109	278,795	-	6,671,311	8,274,369
Total	<u>178,924,005</u>	<u>93,952,729</u>	<u>109,271,380</u>	<u>80,225,462</u>	<u>69,513,297</u>	<u>17,987,160</u>	<u>549,874,033</u>

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If interest rates had been 1% (2018: 1%) higher/lower, assuming all other variables were held constant, profit before tax for the year ended 31 December 2019 would decrease/increase by approximately HK\$510,435,000 (2018: HK\$364,920,000).

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk

The financial assets and financial liabilities of the Group are mainly denominated in HK\$, Renminbi ("RMB") and United States Dollars ("US\$"). An entity is exposed to foreign exchange risk when the financial assets and financial liabilities are denominated in currencies other than the functional currency.

As of 31 December 2019 and 2018, the majority of the financial assets and liabilities held by the Company and its subsidiaries with RMB as functional currency are denominated in RMB. As a result, the Group only exposed to foreign currency risk arising from its RMB exposures held by the Company and its subsidiaries with HK\$ as the functional currency, as HK\$ is pegged to US\$ with no significant foreign currency risk exposed.

The following table shows the Group's RMB exposures held by the Company and subsidiaries with HK\$ as its functional currency, that expose the Group to foreign currency risk:

	2019 HK\$'000	2018 HK\$'000
<u>Financial assets</u>		
Cash and balances with central banks	30,147	47,572
Deposits with banks and financial institutions	325,712	899,628
Placements with banks and financial institutions	432,372	1,169,913
Financial investments		
- Financial assets at fair value through profit or loss	325,001	1,835,552
- Financial assets at fair value other comprehensive income	12,368,209	5,205,096
- Financial assets at amortised cost	473,516	805,571
Trade receivables from brokerage activities and disposal of investments	2,265	87,931
Loans and advances to customers	1,443,388	982,053
Financial assets classified as other assets	1,969,218	345,074
	<u>17,369,828</u>	<u>11,378,390</u>
Total		

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)*Foreign currency risk (continued)*

	2019 HK\$'000	2018 HK\$'000
<u>Financial liabilities</u>		
Bank and other borrowings	500,569	237,448
Placements from banks and financial institutions	2,322,153	-
Financial liabilities at fair value through profit or loss	2,384	582,994
Accounts payable	37,111	19,321
Bonds issued	135,694	-
Due to customers	3,811,607	9,664,265
Financial liabilities classified as other liabilities	<u>1,033,723</u>	<u>154,654</u>
Total	<u>7,843,241</u>	<u>10,658,682</u>
Net foreign currency positions	<u>9,526,587</u>	<u>719,708</u>

Sensitivity analysis

The following table indicates the approximate changes in the Group's profit before tax and investment revaluation reserve in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Appreciation/ depreciation of foreign currencies	2019		Appreciation/ depreciation of foreign currencies	2018	
		Effect on profit before tax HK\$'000	Effect on investment revaluation reserve HK\$'000		Effect on profit before tax HK\$'000	Effect on investment revaluation reserve HK\$'000
RMB	+ 10%	(284,162)	1,236,821	+ 10%	(448,539)	520,510
	- 10%	284,162	(1,236,821)	- 10%	448,539	(520,510)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for monetary assets and liabilities in existence at that date, and that all other variables, in particular interest rates, remain constant. Effects of changes in foreign exchange rates on non-monetary financial investments are included in equity price risk.

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk (continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for prior year.

Equity price risk

As at 31 December 2019 and 2018, the Group is exposed to equity price risk through its financial assets at fair value through profit or loss as held for trading investments, and financial assets/liabilities designated as at fair value through profit or loss.

The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risks are mainly concentrated on equity instruments quoted in the market. In addition, the management monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If the prices of the respective equity instruments had been 10% (2018: 10%) higher/lower, assuming all other variables were held constant, the impact would be:

- profit before tax for the year ended 31 December 2019 would increase/decrease by approximately HK\$6,733,985,000 (2018: HK\$6,373,827,000) as a result of the changes in fair value of financial assets and financial liabilities at fair value through profit or loss; and
- investment revaluation reserve would increase/decrease by approximately HK\$14,330,779,000 (2018: HK\$11,372,154,000) as a result of the changes in fair value of financial assets at fair value through other comprehensive income.

The sensitivity analysis indicates the instantaneous change in the Group's profit before tax and equity that would arise assuming the changes in the relevant stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the reporting date.

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5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimising assets and liabilities structure;
- implementing a centralised liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period and undiscounted contractual cash flows of financial liabilities.

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5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity analysis

The tables below present the cash flows by remaining contractual maturity at the end of each reporting period.

	31 December 2019							Total HK\$'000
	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	
Financial assets								
Cash and balances with central banks	15,944,728	5,263,209	-	-	-	-	-	21,207,937
Deposits with banks and financial institutions	135	9,003,206	6,522,856	5,589,829	2,773,210	-	-	23,889,236
Placements with banks and financial institutions	-	-	10,266,769	1,314,179	868,872	-	-	12,449,820
Financial investments:								
- Financial assets at fair value through profit and loss	44,879,336	253,681	2,458,181	1,758,558	4,270,233	2,270,733	375,763	56,266,485
- Financial assets at fair value through other comprehensive income	31,165	-	10,207,434	16,884,950	49,014,586	64,803,389	2,366,266	143,307,790
- Financial assets at amortised cost	-	-	1,012	-	1,178,845	2,686,164	-	3,866,021
Trade receivables from brokerage activities and disposal of investments	903,455	64,935	33,616	448	16,415	1,050	-	1,019,919
Loans and advances to customers	516,074	23,321,714	7,876,308	19,782,035	59,799,992	123,949,298	51,262,084	286,507,505
Loans granted under repurchase agreements	-	-	-	-	-	-	-	-
Other financial assets	4,150,519	339,238	3,526,806	4,239,785	13,967	284,677	1,336	12,556,328
Total	66,425,412	38,245,983	40,892,982	49,569,784	117,936,120	193,995,311	54,005,449	561,071,041

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity analysis (continued)

	31 December 2019							Total HK\$'000
	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	
<u>Financial liabilities</u>								
Borrowings from central banks	-	-	-	-	27,687	-	-	27,687
Bank and other borrowings	-	-	878,410	3,187,160	2,707,097	30,924,310	20,339,832	58,036,809
Placements from banks and financial institutions	-	-	7,165,534	3,982,728	2,444,774	-	-	13,593,036
Financial liabilities at fair value through profit or loss	-	86,597	3,846,103	1,085,321	445,638	172,004	-	5,635,663
Financial assets sold under repurchase agreements	-	2,000,000	6,727,085	6,085,405	1,285,956	-	-	16,098,446
Accounts payable	17,688	1,094,578	134,995	1,938,154	28,153	-	-	3,213,568
Bonds issued	-	-	111,451	2,790,825	12,469,222	39,398,292	49,819,739	104,589,529
Due to customers	-	109,985,648	47,957,169	73,712,372	100,905,515	8,979,355	345,506	341,885,565
Deposits from banks and financial institutions	-	3,193,249	1,204,911	3,598,777	2,744,935	6,927,794	-	17,669,666
Other financial liabilities	824,166	226,092	10,494,337	125,841	1,641,498	561,399	215,396	14,088,729
Total	841,854	116,586,164	78,519,995	96,506,583	124,700,475	86,963,154	70,720,473	574,838,698

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity analysis (continued)

	31 December 2018							Over 5 years HK\$'000	Total HK\$'000
	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000			
<u>Financial assets</u>									
Cash and balances with central banks	16,618,470	2,380,514	-	-	-	-	-	18,998,984	
Deposits with banks and financial institutions	-	13,723,299	11,147,973	5,767,262	9,370,860	-	-	40,009,394	
Placements with banks and financial institutions	-	-	16,333,906	2,768,057	1,978,266	-	-	21,080,229	
Financial investments:									
- Financial assets at fair value through profit and loss	37,942,430	310,976	2,847,703	599,444	3,532,704	9,761,390	553,725	55,548,372	
- Financial assets at fair value through other comprehensive income	31,833	-	8,459,651	10,918,458	35,444,892	58,472,299	394,407	113,721,540	
- Financial assets at amortised cost	14,000	-	2,436	58,904	1,738,092	3,391,891	-	5,205,323	
Trade receivables from brokerage activities and disposal of investments	215,570	3,225	9,722	342	1,208,337	-	-	1,437,196	
Loans and advances to customers	1,872,854	20,042,290	11,901,073	17,568,185	52,356,781	128,815,769	43,056,799	275,613,751	
Loans granted under repurchase agreements	-	-	5,842,383	-	-	-	-	5,842,383	
Other financial assets	1,592,844	439,032	1,730,660	2,501	147,971	112,364	2,760	4,028,132	
Total	58,288,001	36,899,336	58,275,507	37,683,153	105,777,903	200,553,713	44,007,691	541,485,304	

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity analysis (continued)

	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	31 December 2018					Total HK\$'000
				1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000		
Financial liabilities									
Bank and other borrowings	-	-	1,677,159	3,185,972	5,387,042	24,543,472	19,733,291	-	54,526,936
Placements from banks and financial institutions	-	1,978	4,392,324	6,667,126	8,249,385	-	537,364	-	19,848,177
Financial liabilities at fair value through profit or loss	580,247	88,748	1,748,650	1,984,799	1,273,323	62,351	-	-	5,738,118
Financial assets sold under repurchase agreements	-	1,000,000	3,626,787	1,833,635	357,671	-	-	-	6,818,093
Accounts payable	14,705	929,212	271,918	147,949	-	228	676	-	1,364,688
Bonds issued	-	-	170,830	-	-	40,157,287	49,281,068	-	98,774,072
Due to customers	1,062,418	68,750,544	97,123,137	71,170,850	76,691,180	11,900,426	271,122	-	326,969,677
Deposits from banks and financial institutions	-	423,317	6,684,774	9,859,849	7,371,195	3,106,520	114,248	-	27,559,903
Other financial liabilities	519,213	1,184,139	5,760,822	23,794	502,564	279,276	4,561	-	8,274,369
Total	2,176,583	72,377,938	121,456,401	94,873,974	108,997,247	80,049,560	69,942,330	-	549,874,033

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The amounts disclosed in the tables are the undiscounted contractual cash flows of financial liabilities.

	31 December 2019							Total HK\$'000
	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	
<u>Financial liabilities</u>								
Borrowings from central bank	-	-	-	-	27,687	-	-	27,687
Bank and other borrowings	-	-	1,049,157	3,588,120	4,382,180	35,973,140	21,620,085	66,612,682
Placements from banks and financial institutions	-	-	12,135,251	4,335,669	2,444,934	-	-	18,915,854
Financial liabilities at fair value through profit or loss	-	86,597	3,846,103	1,085,321	445,638	172,004	-	5,635,663
Financial assets sold under repurchase agreements	-	2,000,000	6,727,242	6,089,076	1,313,272	-	-	16,129,590
Accounts payable	17,688	1,094,578	134,995	1,938,154	28,153	-	-	3,213,568
Bonds issued	-	-	11,451	2,790,825	12,469,222	39,398,292	49,819,739	104,589,529
Due to customers	-	110,031,804	48,004,047	74,006,653	102,042,084	17,372,049	407,588	351,864,225
Deposits from banks and financial institutions	-	3,193,249	1,778,539	3,617,456	2,776,804	6,938,150	-	18,304,198
Other financial liabilities	824,166	226,092	10,494,944	126,977	1,646,238	575,970	215,396	14,109,783
Total	841,854	116,632,320	84,281,729	97,578,251	127,576,212	100,429,605	72,062,808	599,402,779

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	31 December 2018							Total HK\$'000
	Past due/ undated HK\$'000	On demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	
<u>Financial liabilities</u>								
Bank and other borrowings	-	-	1,682,248	3,665,518	6,767,839	30,314,526	21,745,168	64,175,299
Placements from banks and financial institutions	-	1,979	4,394,791	6,684,608	8,398,300	-	537,364	20,017,042
Financial liabilities at fair value through profit or loss	580,247	88,748	1,750,355	1,989,575	1,281,066	62,351	-	5,752,342
Financial assets sold under repurchase agreements	-	1,000,000	3,626,983	1,837,138	357,557	-	-	6,821,678
Accounts payable	14,705	929,212	271,918	148,625	-	228	676	1,365,364
Bonds issued	-	-	1,057,215	-	15,508,343	51,900,805	54,404,300	122,870,663
Due to customers	1,062,418	68,750,544	97,170,151	71,480,174	77,858,719	12,966,207	271,122	329,559,335
Deposits from banks and financial institutions	-	1,857,256	6,697,590	9,930,314	7,474,411	3,770,639	145,642	29,875,852
Other financial liabilities	519,213	1,184,139	5,760,822	23,794	502,564	279,276	4,562	8,274,370
Total	2,176,583	73,811,878	122,412,073	95,759,746	118,148,799	99,294,032	77,108,834	588,711,945

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurement are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair values as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019 HK\$'000	2018 HK\$'000		
<u>Financial assets at fair value through other comprehensive income ("FVTOCI")</u>				
1) Unlisted equity securities	31,163	31,833	Level 3	Market approach
2) Treasury bills	60,901,177	45,465,785	Level 2	Quoted market prices from dealers/brokers
3) Listed debt securities	477,627	682,081	Level 1	Quoted bid prices in an active market
	19,480,865	20,672,603	Level 2	Quoted market prices from dealers/brokers
4) Unlisted debt securities	62,416,958	46,869,238	Level 2	Quoted market prices from dealers/brokers
<u>Financial assets at fair value through profit or loss ("FVTPL")</u>				
Held for trading investments and other financial assets at fair value through profit or loss				
1) Listed equity securities	1,799,191	1,323,581	Level 1	Quoted bid prices in an active market
2) Treasury bills	6,662,581	4,746,318	Level 2	Quoted market prices from dealers/brokers
3) Other listed debt securities	3,115,536	4,543,484	Level 1	Quoted bid prices in an active market
4) Exchange traded funds	-	582,049	Level 1	Quoted bid prices in an active market
5) Derivative financial instruments	257,658	49,438	Level 1	Quoted bid prices in an active market
	404,366	655,595	Level 2	Quoted market prices from dealers/brokers
6) Convertible bonds	465,925	-	Level 2	Recent transaction prices
	112,493	134,971	Level 3	Binomial model

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)**(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)**

Financial assets/ financial liabilities	Fair values as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019 HK\$'000	2018 HK\$'000		
Financial assets at FVTPL (continued)				
Held for trading investments and other financial assets at fair value through profit or loss (continued)				
7) Unlisted debt investments	-	12,631	Level 2	Recent transaction prices
8) Unlisted equity funds	123,036	178,685	Level 2	Quoted market prices From dealers/brokers
	2,185,553	552,435	Level 2	Quoted net asset value
	3,438,017	4,896,267	Level 2	Recent transaction prices
	2,333,380	2,288,579	Level 3	Residual method
	4,116,471	1,015,795	Level 3	Binomial model
	6,862,066	7,336,569	Level 3	Note (a)
	957,138	155,621	Level 3	Market approach
	4,347,637	2,668,662	Level 3	Discounted cash flow model
9) Unlisted equity securities	43,526	15,086	Level 2	Quoted market prices from dealers/brokers
	117,112	2,407,010	Level 2	Recent transaction prices
	922,376	953,702	Level 3	Market approach
	2,627,143	1,161,643	Level 3	Binomial model
	8,642,618	8,973,543	Level 3	Note (b)
	3,910,618	9,083,842	Level 3	Note (c)
	2,042,440	336,438	Level 3	Discounted cash flow model
10) Other financial instruments with Embedded derivatives bonds	257,876	367,495	Level 3	Discounted cash flow model
	2,644	568,198	Level 3	Binomial model
11) Asset-backed securities	53,373	103,513	Level 1	Quoted bid prices in an active market
	348,456	374,312	Level 2	Quoted market prices from dealers/brokers

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair values as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019 HK\$'000	2018 HK\$'000		
<u>Financial assets at FVTPL (continued)</u>				
Held for trading investments and other financial assets at fair value through profit or loss (continued)				
12) Trust products	-	4,223	Level 2	Recent transaction prices
	108,070	49,503	Level 3	Discounted cash flow model
13) Others	9,185	9,184	Level 2	Transaction prices in secondary market
14) Loans and advances	1,707,658	2,772,827	Level 2	Recent transaction prices
	1,335,325	1,218,964	Level 3	note (a)
	13,666,046	9,936,226	Level 3	Discounted cash flow model
<u>Financial liabilities at FVTPL</u>				
1) Derivative financial instruments	86,597	-	Level 1	Quoted bid prices in an active market
	500,507	354,594	Level 2	Quoted market prices from dealers/brokers
2) Exchange fund bills and notes	5,048,559	4,803,277	Level 2	Quoted market prices from dealers/brokers
3) Payables to interest holders of consolidated structured entities	-	580,247	Level 3	note (c)

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Notes:

(a) Unlisted equity funds and loans and advances

The fair values of unlisted equity funds and loans and advances are determined with reference to quoted net asset value of the funds which are derived by the valuation of underlying investment properties. The valuation of underlying properties may be based on valuation techniques including residual method for property-development projects, and discounted cash flow model for property-rental projects. The unobservable inputs applied in these valuation techniques had significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3.

(b) Unlisted equity securities

The fair value of unlisted equity securities is derived by using residual method, estimating the estimated value of developed properties, net of estimated costs to develop. The unobservable inputs are the fair value of the underlying properties. The relationship of the unobservable inputs to fair value is the higher the fair value of underlying properties, the higher the fair value.

(c) Unlisted equity securities and payables to interest holders of consolidated structured entities

The fair value of equity securities of unlisted company is derived by using market approach, using market multiples and EBITDA of the unlisted company. Market multiple of 12.73x (2018: 12.01x) was used in the valuation model. The relationship of the unobservable input to fair value is the higher the market multiple, the higher the fair value.

If the market multiple used in the valuation model were 4% higher/lower while all the other variables were held constant, the carrying amount of the unlisted company would increase/decrease by HK\$156,424,724 / HK\$156,424,724 (2018: HK\$377,094,000 / HK\$377,094,000). The value of respective payables to interest holders of the consolidated structured entities would increase/decrease by HK\$24,096,000 / HK\$24,096,000 as of 31 December 2018.

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The table below summarises valuation techniques which incorporates significant unobservable inputs, and relationship between unobservable inputs and fair value of financial assets/financial liabilities.

31 December 2019			
Valuation Techniques	Significant unobservable inputs	Range	The relationship of unobservable inputs and fair value
Binomial model	Volatility	14.25% - 78.91%	The higher the volatility, the higher the fair value
	Discount rates	0.88% - 34.85%	The higher the discount rate, the lower the fair value
Residual method	Fair value of underlying properties	N/A	The higher the value of properties, the higher the fair value
Market Approach	Market multiples	12.36x – 31.01x	The higher the market multiples the higher the fair value
Discounted cash flow Model	Discount rate	3.46% - 12.57%	The higher the discount rates, the lower the fair value
31 December 2018			
Valuation Techniques	Significant unobservable inputs	Range	The relationship of unobservable inputs and fair value
Binomial model	Volatility	21.92% - 63.64%	The higher the volatility, the higher the fair value
	Discount rates	4.56% - 10.01%	The higher the discount rate, the lower the fair value
Residual method	Fair value of underlying properties	N/A	The higher the value of properties, the higher the fair value
Market Approach	Market multiples	6.41 – 23.68	The higher the market multiples the higher the fair value
Discounted cash flow Model	Discount rate	1.26% - 17.20%	The higher the discount rates, the lower the fair value

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

There were no transfers between level 1 and level 2 in the period.

The fair value hierarchy as at 31 December 2019 and 2018 of the Group is as follows:

	2019				2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTOCI								
Unlisted equity securities	-	-	31,163	31,163	-	-	31,833	31,833
Treasury bills	-	60,901,177	-	60,901,177	-	45,465,785	-	45,465,785
Listed debt securities	477,627	19,480,865	-	19,958,492	682,081	20,672,603	-	21,354,684
Unlisted debt securities	-	62,416,958	-	62,416,958	-	46,869,238	-	46,869,238
Financial assets at FVTPL								
Held for trading investments and other financial assets at FVTPL								
Listed equity securities	1,799,191	-	-	1,799,191	1,323,581	-	-	1,323,581
Treasury bills	-	6,662,581	-	6,662,581	-	4,746,318	-	4,746,318
Other listed debt securities	3,115,536	-	-	3,115,536	4,543,484	-	-	4,543,484
Exchange traded funds	-	-	-	-	582,049	-	-	582,049
Derivative financial instruments	257,658	404,366	-	662,024	49,438	655,595	-	705,033
Convertible bonds	-	465,925	112,493	578,418	-	-	134,971	134,971
Unlisted debt investments	-	-	-	-	-	12,631	-	12,631
Unlisted equity funds	-	5,746,606	18,616,692	24,363,298	-	5,627,387	13,465,226	19,092,613
Unlisted equity securities	-	160,638	18,145,195	18,305,833	-	2,422,096	20,509,168	22,931,264
Other financial instruments with embedded derivatives	-	-	260,520	260,520	-	-	935,693	935,693
Asset-backed securities	53,373	348,456	-	401,829	103,513	374,312	-	477,825
Trust products	-	-	108,070	108,070	-	4,223	49,503	53,726
Others	-	9,185	-	9,185	-	9,184	-	9,184
Loans and advances	-	1,707,658	15,001,371	16,709,029	-	2,772,827	11,155,190	13,928,017
Total	5,703,385	158,304,415	52,275,504	216,283,304	7,284,146	129,632,199	46,281,584	183,197,929

	2019				2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities at FVTPL								
Derivative financial instruments	86,597	500,507	-	587,104	-	354,594	-	354,594
Exchange fund bills and notes	-	5,048,559	-	5,048,559	-	4,803,277	-	4,803,277
Payables to interest holders of consolidated structured entities	-	-	-	-	-	-	580,247	580,247
Total	86,597	5,549,066	-	5,635,663	-	5,157,871	580,247	5,738,118

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31 December 2019

5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements

	Unlisted equity investment and wealth management products HK\$'000	Unlisted equity funds HK\$'000	Convertible bonds HK\$'000	Loans and advances and trust products HK\$'000	Unlisted equity securities HK\$'000	Payable to interest holders of consolidated structured entities HK\$'000	Other financial instrument with embedded derivatives HK\$'000
At 1 January 2018	17,195,095	5,392,242	103,454	-	9,688,342	(581,887)	360,363
Remeasurement due to adoption of HKFRS 9	231,621	-	-	-	-	-	-
Reclassification	-	644,063	-	1,332,949	-	-	339,000
Unrealised gains/(losses)	(1,062,760)	(472,756)	31,517	(99,403)	(175,453)	1,640	229,192
Transfer from level 2	-	6,048,464	-	5,716,530	11,011,718	-	367,495
Addition	2,381,216	2,242,790	-	4,351,311	16,394	-	-
Disposal/lapsed	(18,745,172)	(389,577)	-	(96,694)	-	-	(360,357)
At 31 December 2018	-	13,465,226	134,971	11,204,693	20,541,001	(580,247)	935,693
Unrealised gains/(losses)	-	(769,593)	(22,478)	(45,764)	406,357	-	15,915
Transfer from level 2	-	2,643,392	-	670,999	2,155,566	-	-
Addition	-	4,292,444	-	4,350,412	587,645	-	-
Disposal/lapsed	-	(1,014,777)	-	(1,070,899)	(5,514,211)	580,247	(691,088)
At 31 December 2019	-	<u>18,616,692</u>	<u>112,493</u>	<u>15,109,441</u>	<u>18,176,358</u>	-	<u>260,520</u>

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group may engage third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed above.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Deposits with/from banks and other financial institutions

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Loans granted under repurchase agreements

Substantially all the loans granted under repurchase agreements mature within one year from the balance sheet date and their carrying value approximates fair value.

Loans and advances to customers

Substantially all the loans and advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Due to customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

Bonds issued

The fair value of bonds issued is determined by using the same approach as those debt instruments measured at fair value.

Debt instruments at amortised cost

The fair value of debt instruments at amortised cost is determined by using the same approach as those debt instruments measured at fair value as described above.

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5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	2019		2018	
	Carrying value HK\$'000	Fair value HK\$'000	Carrying value HK\$'000	Fair value HK\$'000
Financial assets				
Financial assets at amortised cost	3,866,021	3,934,764	5,205,323	5,151,709
Financial liabilities				
Bonds issued	<u>104,589,529</u>	<u>104,665,185</u>	<u>98,774,072</u>	<u>97,807,016</u>

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

	2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at amortised cost	-	3,934,764	-	3,934,764
Financial liabilities				
Bonds issued	<u>-</u>	<u>104,665,185</u>	<u>-</u>	<u>104,665,185</u>
	2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at amortised cost	-	3,029,028	2,122,681	5,151,709
Financial liabilities				
Bonds issued	<u>-</u>	<u>97,807,016</u>	<u>-</u>	<u>97,807,016</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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6. INTEREST INCOME

	2019 HK\$'000	2018 HK\$'000
Loans and advances to customers		
- Corporate and personal loans and advances	10,879,255	9,995,918
- Loans to margin clients	6,086	26,698
Loans to associates	6,654	36,037
Bonds investments at amortised cost	90,044	100,523
Asset management schemes at amortised cost	104,633	203,454
Deposits with banks and financial institutions	744,080	798,000
Placements with banks and financial institutions	403,195	559,432
Balance with central banks	158,529	200,247
Loans granted under repurchase agreements	30,023	117,973
Others	<u>12,008</u>	<u>30,356</u>
Total	<u><u>12,434,507</u></u>	<u><u>12,068,638</u></u>

7. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Net gains on disposal of financial investments held-for-trading and other financial assets at fair value through profit or loss	461,123	576,534
Gains from changes in fair value of financial investments:		
- held-for-trading and other financial assets at fair value through profit or loss	<u>2,956,823</u>	<u>3,265,302</u>
Total	<u><u>3,417,946</u></u>	<u><u>3,841,836</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

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8. INVESTMENT INCOME

	2019 HK\$'000	2018 HK\$'000
Net realised gains from disposal of financial assets at fair value through other comprehensive income	184,012	60,646
Interest income from investment securities		
- Financial assets at fair value through other comprehensive income	3,480,430	2,462,778
Dividend income from		
- Financial assets at fair value through other comprehensive income	2,315	3,009
Others	<u>73,452</u>	<u>-</u>
Total	<u><u>3,740,209</u></u>	<u><u>2,526,433</u></u>

Note: The investment income from financial assets at FVTPL is set out in Note 7.

9. COMMISSION AND FEE INCOME

	2019 HK\$'000	2018 HK\$'000
Revenue from contract with customers:		
- Loan commissions	758,019	814,514
- Securities and futures brokerage	338,892	461,409
- Consultancy and financial advisory	100,897	112,707
- Fund and asset management business	61,113	202,306
- Insurance commissions	268,721	176,486
- Banking business	235,838	219,958
- Others	<u>32,444</u>	<u>38,067</u>
Total	<u><u>1,795,924</u></u>	<u><u>2,025,447</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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10. OTHER INCOME AND GAINS/(LOSSES), NET

	2019 HK\$'000	2018 HK\$'000
Net foreign exchange gains/(losses)	413,340	(192,034)
Net gains on disposal of distressed assets	16,367	17,313
Net losses on changes in fair value of financial liabilities at fair value through profit or loss	(70,111)	(38,895)
Net gains from disposal of/fair value adjustments on investment properties	12,024	100,572
Rental income arising from aircraft leasing	220,178	58,475
Others	130,967	42,627
	<u>722,765</u>	<u>(11,942)</u>
Total	<u>722,765</u>	<u>(11,942)</u>

11. INTEREST EXPENSE

	2019 HK\$'000	2018 HK\$'000
Borrowings		
- Wholly repayable within five years	402,580	640,388
- Not wholly repayable within five years	1,993,162	1,848,678
Bonds issued	4,438,843	4,035,000
Due to customers	6,567,831	4,787,251
Deposits from banks and financial institutions	571,971	1,156,001
Placements from banks and financial institutions	372,909	225,152
Lease liabilities	28,309	-
Others	110,751	82,655
	<u>14,486,356</u>	<u>12,775,125</u>
Total	<u>14,486,356</u>	<u>12,775,125</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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12. OTHER OPERATING EXPENSES

	2019 HK\$'000	2018 HK\$'000
Staff cost (including directors' remuneration)		
- Salaries and allowances	2,033,899	2,048,244
- Defined contribution plans	310	222
- Defined benefit schemes	5,160	4,560
Operating leases payments	50,662	367,358
Outsourcing activities fee	389,366	411,991
Business tax and surcharges	61,809	65,118
Depreciation of property, plant and equipment	190,346	42,582
Amortisation of right-of-use assets	295,732	-
Legal and professional fees	127,957	132,959
Auditor's remuneration	42,337	23,139
Amortisation of intangible assets	254,920	235,345
Others	583,878	526,447
	<u>4,036,376</u>	<u>3,857,965</u>
Total	<u>4,036,376</u>	<u>3,857,965</u>

13. IMPAIRMENT LOSSES

	2019 HK\$'000	2018 HK\$'000
Allowances/(write-back) of impairment losses on:		
- Financial assets at fair value through other comprehensive income	(1,310)	170,472
- Other financial investments	(11,280)	(43,201)
- Balances with banks and other financial institutions	156,776	(18,297)
- Loans and advances to customers	1,740,082	1,566,701
- Other assets	46,055	6,865
- Trade receivables from brokerage activities and disposal of investments	5,641	15,263
- Financial guarantees and loan commitments	(95,643)	(40,197)
	<u>1,840,321</u>	<u>1,657,606</u>
Total	<u>1,840,321</u>	<u>1,657,606</u>

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14. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Current tax – Hong Kong		
- Charge for current year	528,104	563,048
- Over-provision in prior year	(11,399)	(210)
Current tax – PRC		
- Charge for current year	442,485	497,350
- Over-provision in prior year	(3,119)	(6,467)
Current tax – Overseas		
- Over-provision in prior year	(1,211)	-
Deferred tax		
- Hong Kong profits tax	(50,433)	154,814
- PRC enterprise income tax	(208,822)	(333,300)
- Overseas taxation	7,590	-
Total	<u>703,195</u>	<u>875,235</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the effective tax rate is as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before tax	<u>2,437,361</u>	<u>3,222,099</u>
Tax at the Hong Kong profits tax rate at 16.5% (2018: 16.5%)	402,165	531,646
Effect of different tax rates in other countries	21,782	77,601
Income not subject to tax	(518,929)	(371,627)
Expenses not deductible for tax	169,065	165,474
Tax losses not recognised	723,760	554,960
Utilisation of previously unrecognised tax losses	(2,522)	(10)
Over-provision in prior years	(14,513)	(4,407)
Foreign withholding tax	(10)	(832)
Adjustment in respect of cost and distribution payment for additional equity instruments	<u>(77,603)</u>	<u>(77,570)</u>
Tax charge at the effective rate of 28.9% (2018: 27.2%)	<u>703,195</u>	<u>875,235</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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15. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation, is as follows:

	2019 HK\$'000	2018 HK\$'000
Directors' emoluments:		
- Fees	-	1,635
- Salaries and other benefits	4,189	4,216
- Bonus (note)	1,375	-
- Retirement benefits schemes contributions	-	-
	<u> </u>	<u> </u>
Total	<u>5,564</u>	<u>5,851</u>

Note:

The evaluation of the performance of the Directors has not yet been finalised. The bonus paid is not final and the final amount will be disclosed in due course.

16. CASH AND BALANCES WITH CENTRAL BANKS

	2019 HK\$'000	2018 HK\$'000
Cash	642,440	613,866
Balances with central banks	<u>20,565,497</u>	<u>18,385,118</u>
Total	<u>21,207,937</u>	<u>18,998,984</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2019 HK\$'000	2018 HK\$'000
Deposits with banks	23,291,230	39,385,117
Deposits with other financial institutions	<u>598,006</u>	<u>624,277</u>
Total	<u><u>23,889,236</u></u>	<u><u>40,009,394</u></u>
Including:		
- Pledged bank deposits	<u><u>-</u></u>	<u><u>12,100</u></u>

As at 31 December 2018, bank deposits amounting to HK\$12,100,000 which included principal of HK\$12,000,000 plus accrued interest, had been pledged to banks as security for the provision of securities broking facilities for a total amount of HK\$200 million.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31 December 2018, segregated trust accounts not dealt with in these consolidated financial statements amounted to HK\$702,797,000. There was no such amount as at 31 December 2019 after the disposal of the subsidiaries during the year.

As at 31 December 2019, the deposits with banks and other financial institutions bore interest from 0.01% to 4.26% (2018: 0.01% to 3.2%) per annum.

18. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

	2019 HK\$'000	2018 HK\$'000
Placements with banks	12,339,497	19,340,973
Placements with other financial institutions	<u>110,323</u>	<u>1,739,256</u>
Total	<u><u>12,449,820</u></u>	<u><u>21,080,229</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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31 December 2019

19. FINANCIAL INVESTMENTS

	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through profit or loss (note (a))	56,266,485	55,548,372
Financial assets at fair value through other comprehensive income (note (b))	143,307,790	113,721,540
Financial assets at amortised cost (note (c))	<u>3,866,021</u>	<u>5,205,323</u>
Total	<u>203,440,296</u>	<u>174,475,235</u>

(a) Financial assets at fair value through profit or loss

	2019 HK\$'000	2018 HK\$'000
At fair value:		
Financial assets held-for-trading and other financial assets at fair value through profit or loss:		
- Listed equity investments	1,799,191	1,323,581
- Treasury bills	6,662,581	4,746,318
- Other listed debt securities	3,115,536	4,543,484
- Exchange traded funds	-	582,049
- Derivatives financial instruments (Note 20)	662,024	705,033
- Convertible bonds	578,418	134,971
- Unlisted debt investments	-	12,631
- Unlisted equity funds	24,363,298	19,092,613
- Unlisted equity securities	18,305,833	22,931,264
- Other financial instruments with embedded derivatives bonds	260,520	935,693
- Asset-backed securities	401,829	477,825
- Trust products	108,070	53,726
- Others	<u>9,185</u>	<u>9,184</u>
Total	<u>56,266,485</u>	<u>55,548,372</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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19. FINANCIAL INVESTMENTS (continued)

(b) Financial assets at fair value through other comprehensive income

	2019 HK\$'000	2018 HK\$'000
At fair value:		
- Unlisted equity securities	31,163	31,833
- Treasury bills	60,901,177	45,465,785
- Listed debt securities	19,958,492	21,354,684
- Unlisted debt securities	<u>62,416,958</u>	<u>46,869,238</u>
Total	<u><u>143,307,790</u></u>	<u><u>113,721,540</u></u>

(c) Financial assets at amortised cost

	2019 HK\$'000	2018 HK\$'000
At amortised cost:		
- Treasury bills	578,785	738,935
- Trust plans and asset management plans	1,353,627	2,187,989
- Debt securities	1,983,131	2,330,334
- Others	3,899	14,000
Less: Allowance for impairment losses	<u>(53,421)</u>	<u>(65,935)</u>
Total	<u><u>3,866,021</u></u>	<u><u>5,205,323</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

(a) Derivative financial instruments

The following tables summarise the contract/notional amounts of each class of derivative financial instrument as at 31 December:

	2019			
	Trading	Hedging	Not qualified for hedge accounting	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Exchange rate contracts</u>				
Spot and forwards	11,329,574	-	-	11,329,574
Swaps	36,650,129	-	-	36,650,129
Foreign currency options				
- Options purchased	387,576	-	-	387,576
- Options written	387,576	-	-	387,576
	<u>48,754,855</u>	<u>-</u>	<u>-</u>	<u>48,754,855</u>
<u>Interest rate contracts</u>				
Swaps	58,101,554	5,886,578	-	63,988,132
<u>Commodity contracts</u>				
	<u>1,159,194</u>	<u>-</u>	<u>-</u>	<u>1,159,194</u>
	<u>108,015,603</u>	<u>5,886,578</u>	<u>-</u>	<u>113,902,181</u>
	2018			
	Trading	Hedging	Not qualified for hedge accounting	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Exchange rate contracts</u>				
Spot and forwards	21,043,152	-	-	21,043,152
Swaps	12,905,878	-	-	12,905,878
Foreign currency options				
- Options purchased	2,475,797	-	-	2,475,797
- Options written	1,313,582	-	-	1,313,582
	<u>37,738,409</u>	<u>-</u>	<u>-</u>	<u>37,738,409</u>
<u>Interest rate contracts</u>				
Swaps	54,650,193	-	-	54,650,193
<u>Commodity contracts</u>				
	<u>584,260</u>	<u>-</u>	<u>-</u>	<u>584,260</u>
	<u>92,972,862</u>	<u>-</u>	<u>-</u>	<u>92,972,862</u>

Not qualified for hedge accounting: derivative contracts which do not qualify as hedges for accounting purposes but are managed in conjunction with the financial instruments designated at fair value through profit or loss are separately disclosed.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

(a) Derivative financial instruments (continued)

The following tables summarise the fair values of each class of derivative financial instrument as at 31 December:

	2019							
	Fair value assets				Fair value liabilities			
	Trading	Hedging	Not qualified for hedge accounting	Total	Trading	Hedging	Not qualified for hedge accounting	Total
<u>Exchange rate contracts</u>								
Spot and forwards	431,301	-	-	431,301	(169,286)	-	-	(169,286)
Swaps	77,385	-	-	77,385	(239,899)	-	-	(239,899)
Foreign currency options								
- Options purchased	4,097	-	-	4,097	(86)	-	-	(86)
- Options written	2,691	-	-	2,691	(6,702)	-	-	(6,702)
	515,474	-	-	515,474	(415,973)	-	-	(415,973)
<u>Interest rate contracts</u>								
Swaps	41,109	10,183	-	51,292	(167,825)	-	-	(167,825)
<u>Commodity contracts</u>								
	95,258	-	-	95,258	(3,306)	-	-	(3,306)
	651,841	10,183	-	662,024	(587,104)	-	-	(587,104)
	2018							
	Fair value assets				Fair value liabilities			
	Trading	Hedging	Not qualified for hedge accounting	Total	Trading	Hedging	Not qualified for hedge accounting	Total
HK\$'000								
<u>Exchange rate contracts</u>								
Spot and forwards	484,971	-	-	484,971	(221,868)	-	-	(221,868)
Swaps	97,724	-	-	97,724	(80,509)	-	-	(80,509)
Foreign currency options								
- Options purchased	72,811	-	-	72,811	(2,022)	-	-	(2,022)
- Options written	1,554	-	-	1,554	(23,164)	-	-	(23,164)
	657,060	-	-	657,060	(327,563)	-	-	(327,563)
<u>Interest rate contracts</u>								
Swaps	21,575	-	-	21,575	(21,802)	-	-	(21,802)
<u>Commodity contracts</u>								
	26,398	-	-	26,398	(5,229)	-	-	(5,229)
	705,033	-	-	705,033	(354,594)	-	-	(354,594)

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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21. TRADE RECEIVABLES FROM BROKERAGE ACTIVITIES AND DISPOSAL OF INVESTMENTS

	2019 HK\$'000	2018 HK\$'000
Accounts receivable from disposal of investments	916,849	1,212,052
Commission and fee receivable	93,740	99,673
Clearing settlements (note)	8,169	136,435
Right-of-use assets	236	-
Others	17,679	20,761
Less: Allowance for impairment losses	<u>(16,754)</u>	<u>(31,725)</u>
Total	<u>1,019,919</u>	<u>1,437,196</u>

Note:

For cash securities trading clients of a subsidiary of the Group, it normally takes two to three days to settle after trade date of these transactions. These outstanding unsettled trades due from clients are reported as trade receivables as of 31 December 2018.

The subsidiary also executes client trades on overseas securities, commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables as at 31 December 2018 mainly comprised securities, commodities and futures broking with brokers and were current in nature. The subsidiary engaged in dealing in securities, commodities and futures broking were disposed of during the year.

22. LOANS AND ADVANCES TO CUSTOMERS

	2019 HK\$'000	2018 HK\$'000
At fair value through profit or loss:		
Corporate loans and advances	<u>16,709,029</u>	<u>13,928,017</u>
At amortised cost:		
Corporate loans and advances	221,500,874	220,563,467
Personal loans and advances	52,274,719	44,453,355
Loans to margin clients	-	181,426
	<u>273,775,593</u>	<u>265,198,248</u>
Gross loans and advances to customers	<u>290,484,622</u>	<u>279,126,265</u>
Less: Allowances for impairment losses (note)	<u>(3,977,117)</u>	<u>(3,512,514)</u>
Net loans and advances to customers	<u>286,507,505</u>	<u>275,613,751</u>

As at 31 December 2019, loans and advances to customers included accrued interest of HK\$1,292,952,000 (2018: HK\$1,093,215,000).

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22. LOANS AND ADVANCES TO CUSTOMERS (continued)

The breakdown of ECL stages of loans and advances to customers measured at amortised cost was as follows:

	Stage I (12-month ECL) HK\$'000	Stage II (Lifetime ECL) HK\$'000	Stage III (Lifetime ECL- impaired) HK\$'000	Total HK\$'000
As at 31 December 2019				
Gross loans and advances measured at amortised cost	267,327,832	3,513,430	2,934,331	273,775,593
Less: Allowances for impairment losses	<u>(1,346,264)</u>	<u>(531,502)</u>	<u>(2,099,351)</u>	<u>(3,977,117)</u>
Net loans and advances to customers measured at amortised cost	<u>265,981,568</u>	<u>2,981,928</u>	<u>834,980</u>	<u>269,798,476</u>
As at 31 December 2018				
Gross loans and advances measured at amortised cost	259,502,743	2,747,519	2,947,986	265,198,248
Less: Allowances for impairment losses	<u>(1,532,899)</u>	<u>(431,817)</u>	<u>(1,547,798)</u>	<u>(3,512,514)</u>
Net loans and advances to customers measured at amortised cost	<u>257,969,844</u>	<u>2,315,702</u>	<u>1,400,188</u>	<u>261,685,734</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Note:

The movement in allowances for impairment losses was as follows:

	For the year ended 31 December 2019			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2019	(1,532,899)	(431,817)	(1,547,798)	(3,512,514)
Transfer to Stage I	(72,902)	3,593	69,309	-
Transfer to Stage II	7,623	(7,623)	-	-
Transfer to Stage III	7,153	93,908	(101,061)	-
Impairment losses recognised	(541,751)	(264,891)	(1,337,770)	(2,144,412)
Impairment losses reversed	708,784	119,894	310,572	1,139,250
Stage conversion	63,889	(45,183)	(753,267)	(734,561)
Write-off and transfer out	-	-	1,233,378	1,233,378
Recovery of loans and advances written off in previous periods	-	-	(41,110)	(41,110)
Unwinding of discount on allowance	-	-	1,351	1,351
Disposal of a subsidiary	1,678	-	-	1,678
Exchange difference	12,161	617	67,045	79,823
As at 31 December 2019	<u>(1,346,264)</u>	<u>(531,502)</u>	<u>(2,099,351)</u>	<u>(3,977,117)</u>

	For the year ended 31 December 2018			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2018	(1,850,409)	(271,436)	(825,235)	(2,947,080)
Transfer to Stage I	(3,963)	3,963	-	-
Transfer to Stage II	180,165	(180,165)	-	-
Transfer to Stage III	1,759	165,775	(167,534)	-
Impairment losses recognised	(1,003,642)	(254,584)	(1,371,112)	(2,629,338)
Impairment losses reversed	971,691	94,838	1,063,556	2,130,085
Stage conversion	3,677	(27,230)	(229,703)	(253,256)
Changes to inputs used for impairment calculations	170,678	2,172	(56,036)	116,814
Recovery of loans and advances written off in previous periods	-	-	(7,620)	(7,620)
Unwinding of discount on allowance	-	-	1,882	1,882
Exchange difference	(2,855)	34,850	44,004	75,999
As at 31 December 2018	<u>(1,532,899)</u>	<u>(431,817)</u>	<u>(1,547,798)</u>	<u>(3,512,514)</u>

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23. LOANS GRANTED UNDER REPURCHASE AGREEMENTS

	2019 HK\$'000	2018 HK\$'000
By collateral type:		
- Bond	<u>-</u>	<u>5,842,383</u>

24. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2019 HK\$'000	2018 HK\$'000
Interests in associates (note (a))	11,539,145	12,520,021
Interests in joint ventures (note (b))	417,247	1,261,589
Less: Allowances for impairment losses	<u>(25,984)</u>	<u>-</u>
Total	<u>11,930,408</u>	<u>13,781,610</u>

(a) Interests in associates

The significant interests in associates as at 31 December 2019 and 31 December 2018 were as follows:

Name of entity	Place/country of incorporation and principal place of operation	Proportion of issued/registered capital held by the Group		Principal activities
		2019 %	2018 %	
Silver Grant International Industries Limited ("Silver Grant") (note (i))	Hong Kong	19.01	19.01	Property investment, other investments and distressed asset
Sino-Rock Investment Management Company Limited	Hong Kong	20.69	48.30	Investment holding and fund management and consultancy services
Cinda Plunkett International Holdings Limited ("Cinda Plunkett")	Hong Kong	-	40	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund")	Hong Kong	-	85	Fund management
Modern Land (China) Co. Limited ("Modern Land") (note (ii))	The Cayman Islands	9.60	9.70	Property development

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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24. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

(a) Interests in associates (continued)

Name of entity	Place/country of incorporation and principal place of operation	Proportion of issued/registered capital held by the Group		Principal activities
		2019 %	2018 %	
信達資本管理有限公司	The PRC	40	40	Investment holding and provision of capital and fund management and consultancy services
Cinda International Investment Holdings Limited	The Bermuda	-	47	Fund management
信達建潤地產有限公司	The PRC	30	30	Property development
常青(海南)基礎建設有限公司	The PRC	28.57	28.57	Property development
深圳市尚衡盈順股权投资基金管理有限公司	The PRC	30	30	Asset management
宁波信达当代共赢股权投资合伙企业(有限公司)	The PRC	19	19	Asset management
深圳市信城不动产有限公司	The PRC	37	37	Property development
杭州蓉成股权投资合伙企业(有限合伙)	The PRC	0.05	0.05	Property development
Ori Private Limited	The PRC	40	40	Property development
Rivendell Private Limited	Hong Kong	-	40	Property development
Cindat Capital Management Limited ("Cindat Capital")	The Cayman Islands	37	37	Fund management
Cinda Culture Investment Management Limited ("CCIM")	The Cayman Islands	-	49	Asset management
Yancoal Australia Ltd ("Yancoal") (note (iii))	Australia	15.89	15.95	Coal mining
Prometeon Tyre Group S.r.l ("Pirelli")	Italy	38	38	Tyre manufacturers
Yitai International (BVI) Holdings Ltd.	The PRC	49	-	Investment holding

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24. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

(a) Interests in associates (continued)

Notes:

- (i) Two out of nine directors of Silver Grant are appointed by the Group.
- (ii) The Group has reached an agreement with the principal shareholder of Modern Land who held 66% interest which the principal shareholder has agreed to (i) guarantee that the Group shall have representative in the board of directors; (ii) enable the Group to participate in the key policy-making processes of Modern Land; and (iii) make sure that the Group can obtain timely and adequate financial information from Modern Land.
- (iii) Yancoal is an Australian company engaged in the production of metallurgical and thermal coal and is dual listed in Australia Securities Exchanges (stock code: YAL) and the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3668). The Group held 15.89% (2018: 15.95%) shareholding interests of Yancoal, which represents the second largest shareholdings, with a director of Yancoal appointed by the Group.

As at 31 December 2019 and 31 December 2018, there is one associate individually material. The following represents the summarised financial information of its most significant associate, adjusted to reflect fair value adjustments made by the Group at the time of acquisition:

	Yancoal	
	2019	2018
	HK\$'000	HK\$'000
Current assets	9,449,204	10,415,318
Non-current assets	55,190,152	62,752,239
Current liabilities	(11,255,904)	(4,947,547)
Non-current liabilities	(15,018,531)	(30,655,283)
Total equity	<u>38,364,921</u>	<u>37,564,727</u>
Revenue	<u>24,210,218</u>	<u>27,915,436</u>
Profit for the year	3,902,948	4,903,908
Other comprehensive income/(loss) for the year	<u>662,253</u>	<u>(1,139,640)</u>
Total comprehensive income for the year	<u>4,565,201</u>	<u>3,764,268</u>
Dividends received from the associate during the year	<u>421,422</u>	<u>115,878</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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24. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

(a) Interests in associates (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Yancoal	
	2019	2018
	HK\$'000	HK\$'000
Net assets of the associate	38,364,921	37,564,727
Proportion of the Group's ownership interest in the associate	<u>15.89%</u>	<u>15.95%</u>
Carrying amount of the Group's interest in the associate	<u>6,096,186</u>	<u>5,991,574</u>

Supplementary financial information of associates that are not individually material were as below:

	2019	2018
	HK\$'000	HK\$'000
Aggregate carrying amount of individually immaterial associates	5,416,975	6,528,447
Aggregate amount of the Group's share of those associates		
Profit for the year	153,230	660,595
Other comprehensive loss for the year	<u>(4,842)</u>	<u>(190,320)</u>
Total comprehensive income for the year	<u>148,388</u>	<u>470,275</u>

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24. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

(b) Interests in joint ventures

The significant interest in joint ventures as at 31 December 2019 and 31 December 2018 were as follows:

Name of entity	Place/country of incorporation and principal place of operation	Proportion of issued/registered capital held by the Group		Principal activities
		2019 %	2018 %	
建信金圆（廈門）股權投資管理有限公司	The PRC	-	35	Asset management
深圳市信庭投资有限公司	The PRC	50	50	Asset management
信达汉石全球资产配置有限合伙企业 I 期	The PRC	48	48	Investment fund
深圳市信城建源投资发展企业（有限合伙）	The PRC	-	94	Investment fund

As of 31 December 2019 and 2018, none of the interests in joint ventures were considered individually significant, and their aggregate information is set out below:

	2019 HK\$'000	2018 HK\$'000
Aggregate carrying amount of joint ventures	417,247	1,261,589
Aggregate amount of the Group's share of joint ventures		
Profit/(loss) for the year	37,567	(59,477)
Other comprehensive income for the year	-	-
Total comprehensive income/ (loss) for the year	<u>37,567</u>	<u>(59,477)</u>

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25. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000
At fair value:		
As at 1 January	525,650	438,609
Increase in fair value	12,024	87,936
Transferred in	6,715	1,614
Acquisition of a subsidiary	1,921,600	-
Disposals	-	(2,170)
Exchange realignment	<u>(405)</u>	<u>(339)</u>
As at 31 December	<u>2,465,584</u>	<u>525,650</u>
Unrealised gains in fair value included in profit or loss (included in Note 10)	<u>12,024</u>	<u>87,936</u>

The investment properties of HK\$1,921,600,000 (2018: nil) acquired from Zhongchang International Holdings Group Limited are used as pledged assets for bank borrowings which bear floating interest rate at HIBOR and fixed margin rate of 1.25%.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties. The valuation of majority of the Group's investment properties was carried out by Knight Frank Petty Limited, independent qualified professional valuer not connected to the Group.

The valuation methods used in the fair value are calculating significant unobservable inputs considering the premium/(discount) on features of a property compared to comparable properties. Capitalisation rate of 2.0% to 2.3% is determined after taking into account various factors, such as capitalisation of rental, income potential, nature of property, and prevailing market condition. The higher the capitalisation rate, the lower the fair value.

In estimating the fair value of investment properties, the highest and best use of the investment properties is their current use.

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26. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Electronic equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Aircrafts HK\$'000	Maintenance right asset HK\$'000	Total HK\$'000
COST OR VALUATION								
As at 1 January 2019	7,470,586	150,040	116,314	44,048	223,046	1,770,941	224,272	9,999,247
Additions	4,348,508	24,372	4,839	3,298	66,960	1,434,115	128,044	6,010,136
Disposals	(4,584)	(10,170)	(30,301)	(3,417)	-	(208,777)	-	(257,249)
Revaluation	123,113	-	-	-	-	-	-	123,113
Transferred in/(out)	198,674	2,703	-	-	(241,303)	-	-	(39,926)
Exchange realignment	(9,385)	(1,152)	(841)	(682)	(1,203)	(27,044)	(2,051)	(42,358)
As at 31 December 2019	<u>12,126,912</u>	<u>165,793</u>	<u>90,011</u>	<u>43,247</u>	<u>47,500</u>	<u>2,969,235</u>	<u>350,265</u>	<u>15,792,963</u>
ACCUMULATED DEPRECIATION								
As at 1 January 2019	-	103,585	89,207	32,963	-	25,096	-	250,851
Provided for the year	32,576	20,659	6,935	3,448	-	78,038	48,690	190,346
Eliminated on disposals	-	(9,206)	(24,992)	(3,342)	-	(7,247)	-	(44,787)
Exchange realignment	-	(1,417)	(719)	(511)	-	(6,132)	(288)	(9,067)
As at 31 December 2019	<u>32,576</u>	<u>113,621</u>	<u>70,431</u>	<u>32,558</u>	<u>-</u>	<u>89,755</u>	<u>48,402</u>	<u>387,343</u>
CARRYING AMOUNT								
As at 1 January 2019	-	46,455	27,107	11,085	223,046	1,745,845	224,272	2,277,810
- At cost	-	46,455	27,107	11,085	223,046	1,745,845	224,272	2,277,810
- At valuation	<u>7,470,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,470,586</u>
As at 31 December 2019	-	52,172	19,580	10,689	47,500	2,879,480	301,863	3,311,284
- At cost	-	52,172	19,580	10,689	47,500	2,879,480	301,863	3,311,284
- At valuation	<u>12,094,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,094,336</u>

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26. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Electronic equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Aircrafts HK\$'000	Maintenance right asset HK\$'000	Total HK\$'000
COST OR VALUATION								
As at 1 January 2018	7,406,868	127,698	112,388	45,907	221,748	-	-	7,914,609
Additions	1,855	26,926	8,705	2,713	35,372	1,771,976	224,403	2,071,950
Disposals	(20)	(8,444)	(3,875)	(2,649)	(5,809)	-	-	(20,797)
Revaluation	70,367	-	-	-	-	-	-	70,367
Transferred in/(out)	2,830	709	285	-	(5,438)	-	-	(1,614)
Exchange realignment	(11,314)	3,151	(1,189)	(1,923)	(22,827)	(1,035)	(131)	(35,268)
As at 31 December 2018	<u>7,470,586</u>	<u>150,040</u>	<u>116,314</u>	<u>44,048</u>	<u>223,046</u>	<u>1,770,941</u>	<u>224,272</u>	<u>9,999,247</u>
ACCUMULATED DEPRECIATION								
As at 1 January 2018	-	100,254	85,377	34,528	-	-	-	220,159
Provided for the year	-	8,909	7,011	1,551	-	25,111	-	42,582
Eliminated on disposals	-	(3,834)	(2,277)	(1,930)	-	-	-	(8,041)
Exchange realignment	-	(1,744)	(904)	(1,186)	-	(15)	-	(3,849)
As at 31 December 2018	-	<u>103,585</u>	<u>89,207</u>	<u>32,963</u>	-	<u>25,096</u>	-	<u>250,851</u>
CARRYING AMOUNT								
As at 1 January 2018	-	-	-	-	-	-	-	-
- At cost	-	27,444	27,011	11,379	221,748	-	-	287,582
- At valuation	<u>7,406,868</u>	-	-	-	-	-	-	<u>7,406,868</u>
As at 31 December 2018	-	-	-	-	-	-	-	-
- At cost	-	46,455	27,107	11,085	223,046	1,745,845	224,272	2,277,810
- At valuation	<u>7,470,586</u>	-	-	-	-	-	-	<u>7,470,586</u>

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2019 HK\$'000	2018 HK\$'000
Held in Hong Kong		
- On long-term lease (over 50 years)	4,585,444	4,479,918
- On medium-term lease (10 to 50 years)	6,424,676	2,190,907
Held outside Hong Kong		
- On medium-term lease (10 to 50 years)	1,049,989	766,692
- On short-term lease (less than 10 years)	<u>34,227</u>	<u>33,069</u>
Total	<u>12,094,336</u>	<u>7,470,586</u>

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26. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2019, land and buildings were included in the consolidated statement of financial position at valuation carried out at 31 December 2019 and 31 December 2018 on the basis of their fair value by independent valuers. The fair value represents the price that would be received to sell each building in an orderly transaction with market participants at the measurement date.

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the property revaluation reserve and the consolidated statement of other comprehensive income as follows:

	2019 HK\$'000	2018 HK\$'000
Increase in valuation credited to property revaluation reserve	<u>123,113</u>	<u>70,367</u>

As at 31 December 2019, the net book value of premises that would have been included in the consolidated statement of financial position had the premises been carried at cost less accumulated depreciation was HK\$10,617,658,000 (2018: HK\$6,364,208,000).

Aircraft are assessed for recoverability in accordance with HKAS 36 *Impairment of Assets*, at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. No impairment charge has been required to be recorded in 2019.

The directors develop the assumptions used in the recoverability assessment based on their knowledge of active lease contracts, current and future expectations of the global demand for particular aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as information received from third party sources.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated downtime, estimated residual values, economic conditions, technology and airline demand for particular aircraft types. These estimated cashflows were discounted at an average rate of 5.85% (2018: 5.85%) per annum.

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27. INTANGIBLE ASSETS

	Trading rights HK\$'000	Credit card customer relationships HK\$'000	Trade names HK\$'000	Core deposits intangible HK\$'000	Computer software systems and others HK\$'000	Total HK\$'000
COST						
As at 1 January 2019	1,319	9,119	690,938	4,216,972	424,780	5,343,128
Additions	-	-	-	-	155,923	155,923
Disposal of a subsidiary	(1,319)	(120)	-	-	-	(1,439)
Exchange realignment	-	-	-	-	(8,251)	(8,251)
As at 31 December 2019	-	8,999	690,938	4,216,972	572,452	5,489,361
ACCUMULATED AMORTISATION						
As at 1 January 2019	-	2,325	-	544,693	205,503	752,521
Charge for the year	-	900	-	210,848	43,172	254,920
Exchange realignment	-	-	-	-	(4,709)	(4,709)
As at 31 December 2019	-	3,225	-	755,541	243,966	1,002,732
NET BOOK VALUE						
As at 1 January 2019	1,319	6,794	690,938	3,672,279	219,277	4,590,607
As at 31 December 2019	-	5,774	690,938	3,461,431	328,486	4,486,629
COST						
As at 1 January 2018	1,319	9,119	690,938	4,216,972	258,545	5,176,893
Additions	-	-	-	-	176,360	176,360
Exchange realignment	-	-	-	-	(10,125)	(10,125)
As at 31 December 2018	1,319	9,119	690,938	4,216,972	424,780	5,343,128
ACCUMULATED AMORTISATION						
As at 1 January 2018	-	1,425	-	333,844	190,809	526,078
Charge for the year	-	900	-	210,849	23,597	235,346
Exchange realignment	-	-	-	-	(8,903)	(8,903)
As at 31 December 2018	-	2,325	-	544,693	205,503	752,521
NET BOOK VALUE						
As at 1 January 2018	1,319	7,694	690,938	3,883,128	67,736	4,650,815
As at 31 December 2018	1,319	6,794	690,938	3,672,279	219,277	4,590,607

The credit card customer relationships and core deposits intangible were amortised for a period of 10 years and 20 years respectively and tested for impairment annually. These intangible assets were identified due to the acquisition of a subsidiary in 2016.

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28. GOODWILL

The carrying amounts of goodwill as at 31 December 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Cinda International Holdings Limited (note (i))	-	112,389
Nanyang Commercial Bank, Limited (note (ii))	<u>25,851,817</u>	<u>25,851,817</u>
Total	<u><u>25,851,817</u></u>	<u><u>25,964,206</u></u>

Notes:

- (i) The goodwill of HK\$112,389,000 as of 31 December 2018 was related to the business combination of Cinda International Holdings Limited ("CIHL") which is principally engaged in broking and financial advisory services activities. CIHL represented a distinct cash-generating unit ("CGU"). During the year, the subsidiary was disposed and respective goodwill was de-recognised. The details of disposal of the subsidiary were discussed in note 50 of these consolidated financial statements.
- (ii) The goodwill acquired through the business combination of Nanyang Commercial Bank, Limited ("NCB"), which was accounted for as the majority portion of the Group's goodwill as of December 31, 2019, is allocated to the NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method, using cash flow projections based on both financial forecasts covering a 5-year period ("projection period") approved by senior management and a forward speculated 5-year period ("transition period"). The stable growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 10-year period is fixed at 3%, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 10.44% (Hong Kong) (2018: 10.34%) and 11.85% (Mainland China) (2018: 11.47%), respectively.

There are no impairment indications of the goodwill acquired through the business combination of NCB and the key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change. It was held that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units compared with the book value of the goodwill, thus no impairment losses was recognised.

For the goodwill impairment testing, the following assumptions on the key hypothesis in the process of cash flow projection were made: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external information.

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29. DEFERRED TAX

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	(479,040)	(229,694)
Deferred tax liabilities	<u>1,735,868</u>	<u>1,660,948</u>
	<u>1,256,828</u>	<u>1,431,254</u>

The following are the Group's major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior year:

	Asset revaluation from acquisition of a subsidiary HK\$'000	Impairment allowances HK\$'000	Property revaluation HK\$'000	Fair value change of financial assets HK\$'000	Accrued interest of a PRC subsidiary HK\$'000	Others HK\$'000	Total HK\$'000
As at 1 January 2018	812,173	(542,314)	1,055,473	(143,821)	326,699	(35,966)	1,472,244
Charged to profit or loss	(34,939)	63,969	(66,853)	127,454	(313,157)	51,711	(171,815)
Charged to other comprehensive income	-	-	-	181,797	-	(1,188)	180,609
Exchange alignment	<u>(43,666)</u>	<u>(18,876)</u>	<u>-</u>	<u>(44,923)</u>	<u>(10,933)</u>	<u>68,614</u>	<u>(49,784)</u>
As at 31 December 2018	733,568	(497,221)	988,620	120,507	2,609	83,171	1,431,254
Credited to profit or loss	(34,939)	(16,962)	(30,854)	(147,664)	20,879	(42,125)	(251,665)
Credited to other comprehensive income	-	-	28,301	48,226	-	613	77,140
Acquisition of a subsidiary	-	-	-	-	-	3,987	3,987
Exchange alignment	<u>-</u>	<u>5,581</u>	<u>(9,786)</u>	<u>(44)</u>	<u>(428)</u>	<u>789</u>	<u>(3,888)</u>
As at 31 December 2019	<u>698,629</u>	<u>(508,602)</u>	<u>976,281</u>	<u>21,025</u>	<u>23,060</u>	<u>46,435</u>	<u>1,256,828</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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30. OTHER ASSETS

	2019 HK\$'000	2018 HK\$'000
Other receivable	12,250,151	3,672,785
Interest receivable	291,897	75,050
Assets in satisfaction of debts	10,838	85,114
Dividend receivable	14,280	59,377
Long-term prepaid expenses	118,094	138,262
Precious metals	251,216	220,922
Lease premium asset	235,457	288,744
Right-of-use assets	<u>758,434</u>	<u>-</u>
Total	<u>13,930,367</u>	<u>4,540,254</u>

31. BANK AND OTHER BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Bank borrowings – secured (note (i))	1,042,250	54,492
Bank borrowings – unsecured (note (ii))	50,394,949	52,486,291
Other borrowings – secured (note (i))	609,651	1,986,153
Other borrowings – unsecured	<u>5,989,959</u>	<u>-</u>
Total	<u>58,036,809</u>	<u>54,526,936</u>

The effective interest rate of the Group's borrowings in 2019 was 4.59% (2018: 4.56%).

Notes:

(i) Bank and other borrowings of HK\$1,151,332,000 (2018: HK\$2,040,645,000) were secured by investment properties, and bank deposits and securities amounting to approximately HK\$1,634,000,000 (2018: nil) and HK\$124,605,000 (2018: HK\$566,545,000) respectively.

Other borrowings of HK\$500,569,000 (2018: nil) were secured by inventory amounting to approximately HK\$818,601,000 (2018: nil).

(ii) Bank borrowing payables of HK\$39.5 billion (2018: HK\$38.6 billion) was covered by Keepwell Deed entered with China Cinda, the immediate holding company of the Group.

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32. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	2019 HK\$'000	2018 HK\$'000
By collateral type:		
- Placements from banks	13,320,461	19,848,177
- Placements from financial institutions	<u>272,575</u>	<u>-</u>
Total	<u>13,593,036</u>	<u>19,848,177</u>

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Derivative financial instruments (Note 20)	587,104	354,594
Short position in exchange fund bills and notes	5,048,559	4,803,277
Payables to interest holders of consolidated structured entities	<u>-</u>	<u>580,247</u>
Total	<u>5,635,663</u>	<u>5,738,118</u>

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2019 HK\$'000	2018 HK\$'000
By collateral type:		
- Debt securities	<u>16,098,446</u>	<u>6,818,093</u>

35. ACCOUNTS PAYABLE

	2019 HK\$'000	2018 HK\$'000
Precious metal loan	901,875	371,153
Accounts payable due to electronic and clearing item	55,247	59,919
Trade payable due to brokerage services	80,379	272,980
Accounts payable due to credit and financing services	174,408	246,257
Accounts payable due to cash management services	21,101	65,839
Investment payable	1,936,140	-
Others	<u>44,418</u>	<u>348,540</u>
Total	<u>3,213,568</u>	<u>1,364,688</u>

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36. BONDS ISSUED

Bond Name	Notes	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at 31 December	
							2019	2018
							HK\$'000	HK\$'000
HK\$ Bonds	(i)	10,000	HK\$	2013/9	2020/9	4.00%	N/A	10,129
HK\$ Bonds	(i)	10,000	HK\$	2014/7	2019/7	4.00%	N/A	10,195
HK\$ Bonds	(i)	10,000	HK\$	2014/7	2019/7	4.00%	N/A	10,169
HK\$ Bonds	(i)	10,000	HK\$	2014/9	2019/9	4.00%	N/A	10,123
HK\$ Bonds	(i)	2,000	HK\$	2014/9	2019/9	4.00%	N/A	2,023
HK\$ Bonds	(i)	10,000	HK\$	2014/10	2019/10	4.00%	N/A	10,069
HK\$ Bonds	(i)	10,000	HK\$	2016/3	2021/3	4.00%	N/A	10,113
US\$ Guaranteed Senior Notes	(ii),(iii)	1,000,000	US\$	2014/5	2019/5	4.00%	N/A	7,833,726
US\$ Guaranteed Senior Notes	(ii),(iii)	500,000	US\$	2014/5	2024/5	5.625%	3,668,615	3,894,783
US\$ Guaranteed Senior Notes	(ii),(iii)	230,000	US\$	2014/12	2029/12	5.20%	1,775,656	1,786,066
US\$ Guaranteed Senior Notes	(ii),(iii)	100,000	US\$	2015/2	2030/2	5.20%	788,331	792,403
US\$ Guaranteed Senior Notes	(ii),(iii)	90,000	US\$	2015/2	2029/12	5.20%	698,395	702,751
US\$ Guaranteed Senior Notes	(ii),(iii)	80,000	US\$	2015/3	2022/3	4.45%	629,812	632,900
US\$ Guaranteed Senior Notes	(ii),(iii)	1,300,000	US\$	2015/4	2020/4	3.125%	10,176,645	10,218,024
US\$ Guaranteed Senior Notes	(ii),(iii)	1,700,000	US\$	2015/4	2025/4	4.25%	13,287,705	13,354,804
US\$ Guaranteed Senior Notes	(ii),(iii)	300,000	US\$	2017/3	2020/3	3.00%	2,357,295	2,364,841
US\$ Guaranteed Senior Notes	(ii),(iii)	1,300,000	US\$	2017/3	2022/3	3.65%	10,212,613	10,258,678
US\$ Guaranteed Senior Notes	(ii),(iii)	700,000	US\$	2017/3	2024/3	4.10%	5,499,491	5,525,933
US\$ Guaranteed Senior Notes	(ii),(iii)	700,000	US\$	2017/3	2027/3	4.40%	5,493,436	5,520,712
US\$ Guaranteed Senior Notes	(ii),(iii)	545,000	US\$	2017/12	2037/12	4.75%	4,222,397	4,248,818
US\$ Guaranteed Senior Notes	(ii),(iii)	800,000	US\$	2018/2	2023/2	3.88%	6,289,926	6,317,858
US\$ Guaranteed Senior Notes	(ii),(iii)	300,000	US\$	2018/2	2025/2	4.38%	2,364,671	2,375,740
US\$ Guaranteed Senior Notes	(ii),(iii)	1,200,000	US\$	2018/2	2028/2	4.75%	9,465,536	9,511,970
US\$ Guaranteed Senior Notes	(ii),(iii)	200,000	US\$	2018/2	2048/2	5.00%	1,558,827	1,567,087
US\$ Guaranteed Senior Notes	(ii),(iii)	200,000	US\$	2019/2	2022/2	3.75%	1,570,252	N/A
US\$ Guaranteed Senior Notes	(ii),(iii)	200,000	US\$	2019/2	2024/2	4.00%	1,563,005	N/A
US\$ Guaranteed Senior Notes	(ii),(iii)	600,000	US\$	2019/2	2029/2	4.75%	4,726,398	N/A
2016 Corporation Bonds (5-year)	(iv)	310,000	RMB	2016/4	2020/4	6.17%	360,510	367,101
2016 Corporation Bonds (4-year)	(v)	599,962	RMB	2016/4	2021/4	4.80%	689,418	704,003
Subordinated Notes	(vi)	700,000	US\$	2019/11	2029/11	3.80%	5,438,386	N/A
2016-I Financial Bonds	(vii)	500,000	RMB	2016/12	2021/12	4.67%	558,029	570,015
2017-I Financial Bonds	(vii)	2,500,000	RMB	2017/3	2022/3	5.03%	2,897,969	2,960,338
2018-I Financial Bonds	(vii)	2,500,000	RMB	2018/10	2021/10	4.15%	2,812,951	2,874,891
2018-II Financial Bonds	(vii)	500,000	RMB	2018/10	2023/10	4.40%	562,785	575,256
2018-III Financial Bonds	(vii)	2,000,000	RMB	2018/11	2023/11	4.35%	2,243,427	2,293,140
2018 NCB China CD010	(viii)	150,000	RMB	2018/4	2019/1	4.20%	N/A	170,830
2018 NCB China CD018	(viii)	300,000	RMB	2018/5	2019/5	4.55%	N/A	337,244
2018 NCB China CD020	(viii)	50,000	RMB	2018/6	2019/4	4.55%	N/A	56,439
2018 NCB China CD023	(viii)	300,000	RMB	2018/7	2019/7	4.30%	N/A	335,157
2018 NCB China CD024	(viii)	400,000	RMB	2018/7	2019/7	4.30%	N/A	446,771
2018 NCB China CD025	(viii)	100,000	RMB	2018/10	2019/4	3.30%	N/A	112,972
2019 NCB China CD001	(viii)	100,000	RMB	2019/1	2020/1	3.10%	111,451	N/A
2019 NCB China CD002	(viii)	100,000	RMB	2019/2	2020/2	3.10%	111,184	N/A
2019 NCB China CD003	(viii)	290,000	RMB	2019/2	2020/2	3.10%	322,346	N/A
2019 NCB China CD004	(viii)	200,000	RMB	2019/2	2020/3	3.13%	222,155	N/A
2019 NCB China CD011	(viii)	100,000	RMB	2019/12	2020/3	3.15%	110,920	N/A
2019 NCB China CD012	(viii)	450,000	RMB	2019/12	2020/3	3.14%	499,105	N/A
2019 NCB China CD013	(viii)	1,000,000	RMB	2019/12	2020/6	3.15%	1,099,887	N/A
Total							<u>104,589,529</u>	<u>98,774,072</u>

As at 31 December 2019, bonds issued included accrued interest of HK\$1,234,918,000 (2018: HK\$1,162,802,000).

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36. BONDS ISSUED (continued)

Notes: (continued)

- (i) The HK\$ bonds issued by CIHL, which was a subsidiary of the Group, have fixed coupon rates, payable semi-annually.
- (ii) The US\$ Guaranteed Senior Notes (“US\$ Notes”) issued by China Cinda Finance (2014) Limited, China Cinda Finance (2014) II Limited, China Cinda Finance (2015) I Limited, China Cinda Finance (2017) I Limited and China Cinda Finance (2017) III Limited, subsidiaries of the Group, have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the US\$ Notes, the issuer or the Company may redeem the US\$ Notes, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the US\$ Notes redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the US\$ Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year US\$ Notes and 50 basis points in the case of the 10-year US\$ Notes, plus any accrued and unpaid interest.
- (iii) Bonds payable of HK\$86,549 million (2018: HK\$86,220 million) was covered by Keepwell Deed entered with China Cinda.

Under the Keepwell Deed:

- (i) each of the issuer and the Group to have a Consolidated Net Worth of at least US\$1.00 at all times;
 - (ii) each of the notes issuer and the Group to have sufficient liquidity to ensure timely payment by each of the notes issuer and the Group; and
 - (iii) each of the notes issuer and the Group to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.
- (iv) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of the Group, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.
 - (v) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of the Group, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

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36. BONDS ISSUED (continued)

Notes: (continued)

- (vi) This represents US\$700,000,000 Basel III compliant 10-year subordinated notes qualifying as Tier 2 capital of NCB issued on 20 November 2019 in accordance with the Banking (Capital) Rules, which are listed on the Hong Kong Stock Exchange. The notes will mature on 20 November 2029 with an optional redemption date falling on 20 November 2024. Interest at 3.80% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. treasury rate plus 218 basis points. NCB may, subject to receiving the prior approval of the Hong Kong Monetary Authority, redeem the notes at the option of NCB in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes.
- (vii) The financial bonds issued by Nanyang Commercial Bank (China), Limited ("NCB China"), a subsidiary of the Group, have fixed coupon rates, payable annually.
- (viii) The deposit certificates were issued by NCB China.

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37. DUE TO CUSTOMERS

	2019 HK\$'000	2018 HK\$'000
Demand deposits		
- Corporate	58,297,123	62,437,012
- Personal	43,430,592	44,975,947
Time deposits		
- Corporate	125,079,092	127,551,841
- Personal	101,636,173	81,430,348
Guarantee deposits	11,715,745	10,574,529
Others	<u>1,726,840</u>	<u>-</u>
Total	<u>341,885,565</u>	<u>326,969,677</u>

38. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	2019 HK\$'000	2018 HK\$'000
Banks	1,570,649	3,341,246
Other financial institutions	<u>16,099,017</u>	<u>24,218,657</u>
Total	<u>17,669,666</u>	<u>27,559,903</u>

39. OTHER LIABILITIES

	2019 HK\$'000	2018 HK\$'000
Other payable	1,591,600	1,221,522
Interest payable	-	839
Provisions (note (i))	468,091	445,469
Staff compensation payable	659,160	592,347
Other receipts in advance	209,444	490,868
Defined benefit schemes (note (ii))	131,330	113,900
Promissory note	75,680	100,712
Items in the process of clearance and settlement	10,495,946	5,457,053
Accrued maintenance liabilities	140,251	88,821
Lease liabilities	755,102	-
Others	<u>836,740</u>	<u>363,365</u>
Total	<u>15,363,344</u>	<u>8,874,896</u>

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39. OTHER LIABILITIES (continued)

Notes:

(i) Movements of provisions

	2019 HK\$'000	2018 HK\$'000
At beginning of the year	445,469	170,951
Provided for the year	<u>22,622</u>	<u>274,518</u>
At end of the year	<u>468,091</u>	<u>445,469</u>

(ii) Defined benefit schemes

Movements of retirement benefit of the Group primarily related to a subsidiary are as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of the year	113,900	105,370
Current service cost	2,540	2,670
Past service cost - plan amendment	120	(390)
Interest cost	2,500	2,280
Actuarial losses on remeasurement	15,760	7,200
Benefit paid	<u>(3,490)</u>	<u>(3,230)</u>
At end of the year	<u>131,330</u>	<u>113,900</u>

Principal actuarial assumptions used are as follows:

	As at 31 December 2019	As at 31 December 2018
Discount rate	2%	2%
Expected rate of medical insurance cost increases	6%	6%
Expected rate of social entertainment cost increases	0%	0%
Expected rate of retirement souvenir cost increases	0%	0%
Expected rate of rental increases	3%	3%
Expected rate of withdrawal	3%-18%	3%-18%
Expected death rate	Hong Kong Life Tables 2018	Hong Kong Life Tables 2017

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40. SHARE CAPITAL

	2019 HK\$'000	2018 HK\$'000
Issued and fully paid:		
24,689,500,000 (2018: 24,689,500,000) ordinary shares	<u>24,975,487</u>	<u>24,975,487</u>

Note:

There was no movement in share capital of the Company in 2019 and 2018.

41. OTHER EQUITY INSTRUMENTS ISSUED BY A SUBSIDIARY

	2019 HK\$'000	2018 HK\$'000
Other equity instruments	<u>9,314,890</u>	<u>9,314,890</u>

Note:

On 2 June 2017, a subsidiary of the Group issued perpetual non-cumulative subordinated additional tier 1 capital securities with a face value of US\$1,200 million (equivalent to HK\$9,315 million net of related issuance costs). The additional equity instruments are perpetual and bear a 5.00% coupon until the first call date on 2 June 2022. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.

In December 2019, the Group distributed coupon payment of US\$60 million (2018: US\$60 million) to the holders of the equity instruments.

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42. LEASES

The Group as a lessee

The Group has lease contracts of land and buildings used in its operations. Leases of land and buildings have lease terms between 1 and 7 years.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Motor vehicles HK\$'000	Land and buildings HK\$'000	Total HK\$'000
As at 1 January 2019	393	855,359	855,752
Additions	526	313,519	314,045
Amortisation charge	(403)	(295,329)	(295,732)
Disposal	-	(23,338)	(23,338)
Disposal of a subsidiary	-	(65,940)	(65,940)
Exchange realignment	(46)	(26,307)	(26,353)
As at 31 December 2019	<u>470</u>	<u>757,964</u>	<u>758,434</u>

(b) Lease liabilities

The carrying amount of lease liabilities (included under other liabilities) and the movements during the year are as follows:

	2019 Lease liabilities HK\$'000
As at 1 January 2019	819,851
New leases	310,921
Accretion of interest recognised during the year	28,309
Payments	(293,154)
Disposal	(23,338)
Disposal of a subsidiary	(65,940)
Exchange alignment	(21,547)
As at 31 December 2019	<u>755,102</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK\$'000
Interest on lease liabilities	28,309
Amortisation charge of right-of-use assets	295,732
Expenses relating to short-term leases and low-value assets (included in other operating expenses)	<u>50,662</u>
Total amount recognised in profit or loss	<u>374,703</u>

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43. OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

(a) Operating lease commitments

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	2019 HK\$'000	2018 HK\$'000
Within one year	377,283	263,452
In the second to fifth year, inclusive	1,559,020	1,007,622
Later than five years	<u>589,660</u>	<u>501,232</u>
	<u>2,525,963</u>	<u>1,772,306</u>

Property rental income earned during the year was approximately HK\$14,532,000 (2018: HK\$13,532,000).

(b) Capital commitments

Capital commitments in respect of property and equipment contracted for but not provided for in the consolidated financial statements are as follows:

	2019 HK\$'000	2018 HK\$'000
Authorised and contracted but not provided for	314,428	87,160
Authorised but not contracted for	<u>2,332</u>	<u>395</u>
	<u>316,760</u>	<u>87,555</u>

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44. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Outstanding litigation cases

NCB, a subsidiary of the Group, has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of NCB.

No material provision was made against these claims and counterclaims because the directors believe that NCB has meritorious defenses against the claimants or the amounts involved in these claims are not expected to be material.

(b) Contingent liabilities

	2019 HK\$'000	2018 HK\$'000
Direct credit substitutes	9,065,919	13,326,060
Transaction-related contingencies	1,186,892	1,560,189
Trade-related contingencies	14,257,903	13,337,662
Asset sales with recourse	411,796	2,543
Commitments that are unconditionally cancellable without prior notice	105,148,404	69,006,530
Other commitments with an original maturity of		
- up to one year	2,678,142	2,950,207
- over one year	<u>15,450,806</u>	<u>12,979,562</u>
	<u>148,199,862</u>	<u>113,162,753</u>

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45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings from central bank HK\$'000	Bank and other borrowings HK\$'000	Bonds issued HK\$'000
At 1 January 2019	-	54,526,936	98,774,072
Changes from financing cash flow	27,687	2,703,643	5,901,730
Disposal of a subsidiary	-	(695,378)	(62,821)
Acquisition of a subsidiary	-	1,586,662	-
Foreign exchange movement	-	(85,054)	(23,452)
At 31 December 2019	<u>27,687</u>	<u>58,036,809</u>	<u>104,589,529</u>
At 1 January 2018	-	56,154,961	74,836,686
Changes from financing cash flow	-	(1,606,244)	24,137,912
Foreign exchange movement	-	(21,781)	(200,526)
At 31 December 2018	<u>-</u>	<u>54,526,936</u>	<u>98,774,072</u>

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46. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with related parties:

	2019 HK\$'000	2018 HK\$'000
Interest income (note (b)(i), (ii))	112,663	589,164
Interest expense (note (b)(iii), (iv), (vi))	982,779	716,140
Service fee income	24,569	19,567
Management expense	<u>21,335</u>	<u>647</u>

(b) As at 31 December 2019 and 2018, the Group had the following balances with related parties:

	2019 HK\$'000	2018 HK\$'000
Loans receivable from fellow subsidiary (note (i))	1,485,789	1,435,777
Loans receivables from associates (note (ii))	-	176,381
Deposits from		
immediate holding company (note (iii))	31,036,307	28,600,155
Deposits from fellow subsidiaries (note (iv))	4,039,712	9,488,975
Amounts due from		
immediate holding company (note (v))	147,747	148,589
Loans payable to immediate holding company (note (vi))	4,310,694	2,955,268
Amounts due to		
immediate holding company (note (v))	111,635	114,129
Amounts due from associates (note (v))	327,739	327,739
Amounts due from fellow subsidiaries (note (v))	534,060	836
Amounts due to fellow subsidiaries (note (v))	<u>-</u>	<u>15,810</u>

Notes:

- (i) Loan receivable from fellow subsidiary was secured, bearing fixed interest rate of 4.1% (2018: 4.1%) and repayable within 3 years.
- (ii) As at 31 December 2018, loans receivables from associates were unsecured, bearing fixed interest rates of 8% and repayable within 1 year.
- (iii) Among deposits from immediate holding company, HK\$997 million was fixed deposit, bearing fixed interest rates with the range from 0% to 1.7%. HK\$472 million was unsecured, bearing interest rate with the range from 0.35% to 2.1%.

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NOTES TO FINANCIAL STATEMENTS

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46. RELATED PARTY TRANSACTIONS (continued)

- (b) As at 31 December 2019 and 2018, the Group had the following balances with related parties: (continued)

Notes: (continued)

- (iv) Among deposits from fellow subsidiaries, HK\$2.2 billion (2018: 1.2 billion) was fixed deposit, bearing interests with the range from 0.35% to 1.90% (2018: 1.50% to 1.65%), repayable within 1 month to 5 years (2018: 1 to 12 months). The rest was unsecured, bearing interests with the range from 0.01% to 0.35% (2018: 0.01% to 0.35%), repayable on demand.
- (v) The balances were unsecured, interest-free and repayable on demand.
- (vi) Amounts due to immediate holding company were unsecured, bearing fixed interest with the range from 4.45% to 5.72% (2018: 4.45% to 5.72%) and repayable within 1-5 years (2018: 1 year).
- (c) As at 31 December 2019, the Group held certain listed equity securities on behalf of the immediate holding company with aggregate value of approximately HK\$6,096,186,000 (2018: HK\$5,991,574,000). The Group did not charge any fee for the services provided for both years.
- (d) As at 31 December 2019, bonds of approximately HK\$86.5 billion (2018: HK\$86.2 billion) were issued by the Group under a Keepwell Deed provided by its immediate holding company (Note 36(iii)).
- (e) As at 31 December 2019, bank borrowings payables of HK\$39.5 billion (2018: HK\$38.6 billion) were issued by the Group under a Keepwell Deed provided by its immediate holding company (Note 31(ii)).
- (f) The Group is controlled by China Cinda, which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 31 December 2019 and 2018. For the current and prior years, the Group undertakes transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.
- (g) Compensation of key management personnel, which refers to the directors of the Company, is disclosed in Note 15.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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47. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

The following table lists the subsidiaries and consolidated structured entities of the Company which, in the opinion of the directors, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of entity	Place/country of incorporation	Paid up/registered share issued capital	Proportion ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2019	2018	2019	2018	
Subsidiaries							
China Cinda (HK) Asset Management Co., Limited	Hong Kong	HK\$2 ordinary shares	100	100	-	-	Investment in securities and investment holding
China Cinda Finance (2014) Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
China Cinda Finance (2014) II Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
China Cinda Finance (2015) I Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
China Cinda Finance (2015) II Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
Harvest Breeze Company Limited	The Cayman Islands	US\$1 ordinary share	100	100	-	-	Investment holding
China Cinda Foundation Management Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	-	-	Investment in fund
China Cinda(HK) Investments Management Company Limited	Hong Kong	HK\$1 ordinary share	100	100	-	-	Investment in securities and investment holding
Cinda (China) Investments Company Limited	Hong Kong	HK\$10,000 ordinary shares	100	100	-	-	Investment holding
Well Kent International Holdings Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	-	-	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong	HK\$68,000,001,000 ordinary shares	100	100	-	-	Bank holding
弘马（上海）投资管理有限公司	The PRC	US\$100,000,000 ordinary shares	100	100	-	-	Investment holding
Bitronic Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Capital raising
Rayco Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Parloy Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Provision of consultancy services on investments
Enko Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Mankind Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment in securities
Reca Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment holding

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47. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES
(continued)

Name of entity	Place/country of incorporation	Paid up/ registered share issued capital	Proportion ownership interest held by the Company				Principal activities
			Direct 2019	2018	Indirect 2019	2018	
Subsidiaries							
Tongo Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Cocina International Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Innotek Resources Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Finic Resources Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Sunkits Resources Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Timespeed Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Season Memory Holdings Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Trendy Win Holdings Limited	British Virgin Islands	US\$46,672,496 ordinary shares	-	-	61	61	Investment holding
Senda International Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Project investments
Thriving Honor Limited	Hong Kong	US\$600,000 ordinary shares	-	-	100	100	Project investments
Jinhua Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment in securities
Imago Investment Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment in securities
Heroic Season Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment holding
Tongo Investment Limited (cayman)	The Cayman Islands	US\$0.01 ordinary share	-	-	100	100	Project investments
Cinda International Holdings Limited	The Bermuda	HK\$64,120,000 registered capital	-	-	-	63	Securities broking and finance
Novel Sunrise Investments Limited	British Virgin Islands	US\$12 ordinary shares	-	-	100	100	Project investments
International High Grade Fund B, L.P.	The Cayman Islands	US\$770,000,000	-	-	100	100	Project investments
High Grade (HK) Investment Management Limited	Hong Kong	HK\$100	-	-	100	100	Project investments
China Cinda Finance (2017) I Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
China Cinda Finance (2017) II Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)

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47. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES
(continued)

Name of entity	Place/country of incorporation	Paid up/ registered share issued capital	Proportion ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2019	2018	2019	2018	
Subsidiaries							
China Cinda Finance (2017) III Limited	British Virgin Islands	US\$1 ordinary share	100	100	-	-	Capital raising (debt issuing)
Cinda Investment (Cayman) Limited	The Cayman Islands	US\$50,000	-	-	100	100	Project investments
Cinda Distressed Asset Management Cayman GP Limited	The Cayman Islands	US\$50,000	-	-	100	100	Project investments
Cinda International HGB Investment (UK) Limited	United Kingdom	US\$734,300,037	-	-	100	100	Project investments
Yosemite Investment Limited	The Cayman Islands	US\$50,000	-	-	100	100	Project investments
Cinda Leasing (HK) Co., Limited	Hong Kong	HK\$100	-	-	100	100	Investment holding
Jade Aviation, LLC	Republic of Ireland	US\$87,439,794	-	-	80	80	Aircraft leasing
Zhongchang International Holdings Group Ltd	British Virgin Islands	US\$112,502,000	-	-	75	-	Property leasing, development and property management services
华建国际实业(深圳)有限公司	The PRC	RMB424,195,470 registered capital	-	-	100	100	Equity investment and investment consultancy services
深圳市前海华建股权投资有限公司	The PRC	RMB110,000,000 registered capital	-	-	100	100	Equity investment and investment consultancy services
宁波信达华建投资有限公司	The PRC	RMB10,000,000 registered capital	-	-	100	100	Equity investment and investment consultancy services
杭州信达华屹投资管理有限公司	The PRC	RMB5,000,000 registered capital	-	-	100	100	Equity investment and investment consultancy services
杭州华屹芯峰股权投资合伙企业(有限合伙)	The PRC	RMB2,100,000 registered capital	-	-	100	100	Equity investment and investment consultancy services
南洋商业银行有限公司	Hong Kong	HK\$3,144,520,000 registered capital	-	-	100	100	Provision of banking services
南洋商业银行(代理人)有限公司	Hong Kong	HK\$50,000 registered issued	-	-	100	100	Nominee services
广利南投资管理有限公司	Hong Kong	HK\$3,050,000 registered capital	-	-	100	100	Investment agency
南洋商业银行信托有限公司	Hong Kong	HK\$3,000,000 registered capital	-	-	100	100	Trustee services
南洋商业银行(中国)有限公司	The PRC	RMB9,500,000,000 registered capital	-	-	100	100	Provision of banking services

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47. PARTICULARS OF SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES
(continued)

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests as of 31 December 2019:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CiHL (note (i))	Hong Kong	-	37	-	20,909	-	311,779
Jade Aviation, LLC	Republic of Ireland	20	20	6,354	613	144,147	137,793
Zhongchang International Holdings Group Limited	Hong Kong	25	-	(12,056)	-	493,516	-
Other subsidiaries with immaterial non-controlling interests	N/A	N/A	N/A	<u>(45,036)</u>	<u>10,664</u>	<u>183,868</u>	<u>240,628</u>
				<u>(50,738)</u>	<u>32,186</u>	<u>821,531</u>	<u>690,200</u>

Note:

- (i) During the year, the Group disposed of its 63% equity interest in Cinda International Holdings Limited. The details of the disposal were set out in note 50 of these consolidated financial statements.

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48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	2019				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments and cash collateral received HK\$'000	HK\$'000
Assets					
Derivative financial instruments (note (i))	286,461	-	286,461	(96,400)	190,061
Trade receivables from margin clients (note (ii))	-	-	-	-	-
Trade receivables from clearing houses (note (iii))	-	-	-	-	-
Other assets	<u>1,233,651</u>	<u>(1,068,483)</u>	<u>165,168</u>	<u>-</u>	<u>165,168</u>
	<u>1,520,112</u>	<u>(1,068,483)</u>	<u>451,629</u>	<u>(96,400)</u>	<u>355,229</u>
	2019				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments and cash collateral received HK\$'000	HK\$'000
Liabilities					
Derivative financial instruments (note (i))	(407,793)	-	(407,793)	218,893	(188,900)
Trade payables from margin clients (note (ii))	-	-	-	-	-
Trade payables from clearing houses (note (iii))	-	-	-	-	-
Other liabilities	<u>(1,135,622)</u>	<u>1,068,483</u>	<u>(67,139)</u>	<u>-</u>	<u>(67,139)</u>
	<u>(1,543,415)</u>	<u>1,068,483</u>	<u>(474,932)</u>	<u>218,893</u>	<u>(256,039)</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

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48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	2018				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments and cash collateral received HK\$'000	HK\$'000
Assets					
Derivative financial instruments (note (i))	260,084	-	260,084	(86,622)	173,462
Trade receivables from margin clients (note (ii))	210,870	(30,630)	180,240	(165,760)	14,480
Trade receivables from clearing houses (note (iii))	111,205	(103,497)	7,708	-	7,708
Other assets	<u>1,926,049</u>	<u>(1,126,416)</u>	<u>799,633</u>	<u>-</u>	<u>799,633</u>
	<u>2,508,208</u>	<u>(1,260,543)</u>	<u>1,247,665</u>	<u>(252,382)</u>	<u>995,283</u>
	2018				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments and cash collateral received HK\$'000	HK\$'000
Liabilities					
Derivative financial instruments (note (i))	(114,367)	-	(114,367)	86,622	(27,745)
Trade payables from margin clients (note (ii))	(35,740)	30,630	(5,110)	-	(5,110)
Trade payables from clearing houses (note (iii))	(124,421)	103,497	(20,924)	-	(20,924)
Other liabilities	<u>(1,274,482)</u>	<u>1,126,416</u>	<u>(148,066)</u>	<u>-</u>	<u>(148,066)</u>
	<u>(1,549,010)</u>	<u>1,260,543</u>	<u>(288,467)</u>	<u>86,622</u>	<u>(201,845)</u>

Notes:

- (i) For master netting agreements of OTC derivative and sale and repurchase transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.
- (ii) Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customer on the same date are settled on net basis simultaneously.
- (iii) Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

Other than the above derivatives, there are also derivative financial assets of HK\$375,563,000 (2018: HK\$444,949,000) and derivative financial liabilities of HK\$179,311,000 (2018: HK\$240,227,000) not subject to any enforceable master netting arrangements.

31 December 2019

49. BUSINESS COMBINATION

On 18 October 2019, the Group acquired a 74.98% interest in Zhongchang International Holdings Group Limited (the "Zhongchang International"). Zhongchang International is engaged in property leasing and development, and provision of property project management services. The acquisition was made for the reason that one of the subsidiaries of the Group has taken enforcement action pursuant to a share mortgage arising from a HK\$700 million loan facility from the abovementioned subsidiary to the immediate holding company of Zhongchang International due to the continued occurrence of certain events of defaults. The purchase consideration for the acquisition was in the form of financial assets at fair value through profit or loss and interest receivables of HK\$735,607,000 in total given up as of 18 October 2019.

Analysis of assets and liabilities of the subsidiary acquired as of 18 October 2019:

	As of 31 October 2019 HK\$'000
Investment properties	1,921,601
Property, plant and equipment	2,365
Deferred tax assets	4,142
Interests in associates	234,406
Stock of properties	765,639
Trade and other receivables, deposits and prepayments	213,632
Cash and cash equivalents	273,031
Financial investments	35,554
Other assets	327,418
Bank and other borrowings	(1,636,662)
Deferred tax liabilities	(10,523)
Other liabilities	<u>(115,508)</u>
Total fair value of identifiable net assets acquired	2,015,095
Non-controlling interests	<u>(504,178)</u>
Total fair value of identifiable net assets attributable to the Group	1,510,917
Assets of the Group given up	<u>(735,607)</u>
Other liability arising from the acquisition (Note (a))	<u><u>775,310</u></u>

The gross contractual amounts and fair values of the trade and other receivables as at the date of acquisition amounted to HK\$5,855,000.

The non-controlling interests of Zhongchang International was measured at the non-controlling interests' proportionate share of the recognised amounts of Zhongchang International's identifiable net assets.

31 December 2019

49. BUSINESS COMBINATION (continued)

Note (a):

Pursuant to the section 12(c) of the share mortgage entered with the immediate holding company of Zhongchang International, the Group is obligated to pay back any amount that the Group can realise in relation of its holding of interest in Zhongchang, in excess of principal and interest entitled by the Group under the original loan facility agreement, to the immediate shareholder of Zhongchang International. Accordingly, the excess amount of HK\$775,310,000 as of 18 October 2019, was recognised as an other liability in the consolidated statement of financial position. The liability is remeasured at each of the period end.

Analysis of the cash flows in respect of the acquisition of subsidiary:

	2019 HK\$'000
Cash consideration paid	-
Cash and cash equivalents acquired	<u>273,031</u>
Net cash inflows in respect of the acquisition	<u><u>273,031</u></u>

Since the acquisition, HK\$6,790,000 of revenue and HK\$48,185,000 of loss after tax of the acquiree were included in the Group's consolidated statement of profit or loss for the year ended 31 December 2019. The loss after tax was offset against the gain of HK\$48,185,000 as a result of the remeasurement of the other liability in note (a).

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group would have increased by HK\$44,976,000 and the profit of the Group for the year would have decreased by HK\$93,668,000.

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

50. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its 63% equity interest in Cinda International Holdings Limited, a partially-owned subsidiary of the Group for a consideration of HK\$538,731,000.

The details of the disposal are set out below.

Analysis of assets and liabilities of the subsidiaries disposed of:

	2019 HK\$'000
Cash and cash equivalents	345,435
Other assets	152,961
Financial investments	538,447
Trade receivables from brokerage activities	223,939
Loans and advances at amortised costs	276,988
Interest in associates and joint ventures	350,229
Goodwill	112,389
Bank and other borrowings	(695,378)
Other liabilities	(272,481)
Bonds issued	(62,000)
Non-controlling interests	<u>(323,503)</u>
 Total net assets disposed of	 647,026
 Consideration – as receivable from fellow subsidiary	 <u>538,731</u>
 Loss on disposal of a subsidiary	 <u>(108,295)</u>
 Analysis of net cash flows arising from the disposal:	
Cash consideration	-
Cash and cash equivalents disposed of	<u>(345,435)</u>
 Net cash outflows in respect of the disposal	 <u>(345,435)</u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

50. DISPOSAL OF SUBSIDIARIES (continued)

During the year, the Group disposed of its 93.61% equity interest in Cinda Sino-Rock Investment (Cayman) Limited Partnership, a partially-owned subsidiary of the Group for a consideration of HK\$4,255,281,000.

The details of the disposal are set out below.

Analysis of assets and liabilities of the subsidiaries disposed of:

	2019 HK\$'000
Cash and cash equivalents	629
Financial investments	8,714,730
Other liabilities	(515)
Financial liabilities at fair value through profit or loss	<u>(556,985)</u>
Total net assets disposed of	8,157,859
Consideration in form of:	
Cash consideration	7,788
Deferred cash consideration	4,247,493
Financial investments	<u>3,902,578</u>
Gain on disposal of a subsidiary	<u><u>-</u></u>
Analysis of net cash flows arising from the disposal:	
Cash consideration	7,788
Cash and cash equivalents disposed of	<u>(629)</u>
Net cash inflows in respect of the disposal	<u><u>7,159</u></u>

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Deposits with banks and financial institutions	2,786,651	10,246,206
Loans and advances to customers	6,680,285	6,411,690
Financial investments	8,826	577,024
Investment in subsidiaries	68,775,084	68,775,084
Investment properties	175,139	175,139
Property, plant and equipment	13,380	11,117
Right-of-use assets	159,620	-
Other assets	<u>67,142,795</u>	<u>67,155,225</u>
	<u>145,741,780</u>	<u>153,351,485</u>
LIABILITIES		
Bank and other borrowings	51,079,076	48,468,252
Tax payable	8,778	13,080
Deferred tax liabilities	14,738	14,738
Lease liabilities	164,507	-
Other liabilities	<u>77,911,868</u>	<u>86,035,517</u>
	<u>129,178,967</u>	<u>134,531,587</u>
NET ASSETS	<u>16,562,813</u>	<u>18,819,898</u>
EQUITY		
Share capital	24,975,487	24,975,487
Accumulated losses	(8,486,765)	(6,229,680)
Reserves (Note)	<u>74,091</u>	<u>74,091</u>
TOTAL EQUITY	<u>16,562,813</u>	<u>18,819,898</u>



.....
Liang Senlin
Director



.....
Ma Yilin
Director

CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital HK\$'000	Accumulated losses HK\$'000	Investment* revaluation reserve HK\$'000	Property* revaluation reserve HK\$'000	Total HK\$'000
At 1 January 2018	24,975,487	(3,947,144)	70	73,421	21,101,834
Loss for the year	-	(2,282,536)	-	-	(2,282,536)
Other comprehensive income	-	-	-	600	600
Items that will not be reclassified subsequently to profit or loss					
- Revaluation of PPE	-	-	-	718	718
- Deferred tax arising from revaluation	-	-	-	(118)	(118)
Total comprehensive loss for the year	-	(2,282,536)	-	600	(2,281,936)
At 31 December 2018	<u>24,975,487</u>	<u>(6,229,680)</u>	<u>70</u>	<u>74,021</u>	<u>18,819,898</u>
Loss for the year	-	(2,257,085)	-	-	(2,257,085)
Other comprehensive income	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss					
- Revaluation of PPE	-	-	-	-	-
- Deferred tax arising from revaluation	-	-	-	-	-
Total comprehensive loss for the year	-	(2,257,085)	-	-	(2,257,085)
At 31 December 2019	<u>24,975,487</u>	<u>(8,486,765)</u>	<u>70</u>	<u>74,021</u>	<u>16,562,813</u>

* Represented the reserve in the statement of financial position of the Company.

31 December 2019

52. EVENTS AFTER THE REPORTING PERIOD

Issuance of guaranteed senior notes

On 18 March 2020, China Cinda (2020) I Management Limited, a wholly-owned subsidiary of the Company, completed issuance of a series of aggregate principal amount of US\$2 billion guaranteed senior notes. The notes were guaranteed by the Company. Principal terms of each series of the notes were as follows:

- (1) US\$700 million have a tenor of 3 years, with a fixed coupon rate of 2.00%, payable annually;
- (2) US\$500 million have a tenor of 5 years, with a fixed coupon rate of 2.50%, payable annually;
- (3) US\$300 million have a tenor of 7 years, with a fixed coupon rate of 3.00%, payable annually; and
- (4) US\$500 million have a tenor of 10 years, with a fixed coupon rate of 3.125%, payable annually.

Epidemic situation of COVID-19

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period, and accordingly no adjustments have been made to these consolidated financial statements as at 31 December 2019 for the impacts of COVID-19.

The outbreak of COVID-19 in early 2020 and the response of the governments in dealing with the pandemic has had significant impact on global financial markets and economic activity. The directors of the Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. In the opinion of the directors of the Company, it is not considered practicable to provide a quantitative or qualitative estimate of the potential impact of the outbreak on the Company and its subsidiaries at this time.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 April 2020.

ISSUER

China Cinda (2020) I Management Limited
 Maples Corporate Services (BVI) Limited
 Kingston Chambers, P.O. Box 173, Road Town,
 Tortola
 British Virgin
 Islands

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China Cinda (HK) Holdings Company Limited
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 1 Connaught
 Road Central
 Central
 Hong Kong

JOINT ARRANGERS AND DEALERS

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 25/F, Agricultural Bank of
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 50 Connaught Road Central
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Australia and New Zealand
Banking Group Limited
 22/F Three Exchange Square
 8 Connaught Place
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 Hong Kong

Bank of China Limited
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Merrill Lynch (Asia Pacific) Limited
 55/F, Cheung Kong Center
 2 Queen's Road Central
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 12/F., CCB Tower
 3 Connaught Road Central
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 1 Austin Road West
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China Construction Bank (Asia)
Corporation Limited
 28/F, CCB Tower
 3 Connaught Road Central
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 3 Garden Road, Central
 Hong Kong

DBS Bank Ltd.
 10/F The Center
 99 Queen's Road Central
 Central
 Hong Kong

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APPENDIX 2 – 2024 NOTES PRICING SUPPLEMENT

PRICING SUPPLEMENT

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**); 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 / 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 Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); 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. 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.

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 EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day 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. 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment

Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 12 January 2021

China Cinda (2020) I Management Limited

**Issue of U.S.\$500,000,000 1.250% Guaranteed Notes due 2024 (the Notes)
under the U.S.\$2,000,000,000 Medium Term Note Programme**

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

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) (**Professional Investors**).

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and have been 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.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 7 January 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

- | | | |
|----|-----------------------------------|---------------------------------------------------------|
| 1. | Issuer: | China Cinda (2020) I Management Limited |
| 2. | (a) Status of the Notes: | Senior |
| | (b) Guarantee: | Guaranteed by China Cinda (HK) Holdings Company Limited |
| 3. | (a) Series Number: | 001 |
| | (b) Tranche: | 001 |
| 4. | Specified Currency or Currencies: | United States dollars |

5. Aggregate Nominal Amount: U.S.\$500,000,000
6. (a) Issue Price: 99.619 per cent. of the Aggregate Nominal Amount
(b) Gross Proceeds: U.S.\$498,095,000
7. (a) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(b) Calculation Amount: U.S.\$1,000
8. (a) Issue Date: 20 January 2021
(b) Interest Commencement Issue Date
Date:
9. Maturity Date: 20 January 2024
10. (a) Interest Basis: 1.250 per cent. Fixed Rate (further particulars specified below)
(b) Default Rate: None
11. Redemption/Payment Basis: Redemption at par
12. Change of Interest or Not Applicable
Redemption/Payment Basis:
13. Put/Call Options: Issuer Call (further particulars specified below)
14. NDRC Registration/Confirmation: The registration certificate issued by the National Development and Reform Commission on 23 October 2020
15. Listing: The Stock Exchange of Hong Kong Limited (the expected effective listing date of the Notes is on or around 21 January 2021)
16. Place of Payment: New York City, Hong Kong
17. Method of distribution: Syndicated
18. Private Bank Rebate/Commission Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Note Provisions Applicable
- (a) Rate of Interest: 1.250 per cent. per annum payable semi-annually in arrears
- (b) Interest Payment Dates: 20 January and 20 July in each year, commencing on 20 July 2021
- (c) Fixed Coupon Amount: U.S.\$6.250 per Calculation Amount
- (d) Broken Amount(s): Not Applicable

- (e) Day Count Fraction: 30/360
 - (f) Determination Dates: Not Applicable
 - (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 20. **Floating Rate Note Provisions** Not Applicable
 - 21. **Zero Coupon Note Provisions** Not Applicable
 - 22. **Index-Linked Interest Note Provisions** Not Applicable
 - 23. **Dual Currency Note Provisions** Not Applicable
 - 24. **Default Rate** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 25. Call Option Applicable
 - (a) Optional Redemption Date(s): The Issuer may, at its option, at any time and from time to time redeem the Notes, in whole or in part, in accordance with Condition 6(d), as amended by the below
 - (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): If the Optional Redemption Date falls on or prior to three months prior to the Maturity Date, an amount equal to the greater of (1) 100% of the principal amount of the Note and (2) the sum of the then current values of the remaining scheduled payments of principal and interest discounted to the Optional Redemption Date on an annual basis based on the actual number of days elapsed divided by 360 at the Treasury Rate plus 25 basis points.

If the Optional Redemption Date falls within the three months prior to the Maturity Date, an amount equal to 100% of the principal amount of the Note.

For these purposes,

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Bank that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three

such Reference Treasury Dealer Quotations, the average of all quotations obtained.

“**Reference Treasury Dealer**” means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Issuer in good faith.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

“**Treasury Rate**” means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity computed as of the third Business Day immediately preceding such redemption date).

- | | | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| (c) | If redeemable in part: | |
| (i) | Minimum Redemption Amount: | U.S.\$200,000 |
| (ii) | Maximum Redemption Amount: | Not Applicable |
| (d) | Notice period: | Not less than 20 nor more than 30 days’ irrevocable notice to the Noteholders |
| 26. | Put Option | Not Applicable |
| 27. | Final Redemption Amount of each Note | U.S.\$1,000 per Calculation Amount |
| 28. | Early Redemption Amount | U.S.\$1,000 per Calculation Amount |
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): | |
| 29. | Other Redemption/Repurchase Events | Condition 6(c) (<i>Redemption for Taxation Reasons</i>) and Condition 6(f) (<i>Repurchase for Change of Control Triggering Event</i>) are applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 30. | (a) Form of Notes: | Registered Notes |
| | (b) Applicable TEFRA exemption: | Not Applicable |
| 31. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 32. | Financial Center(s) or other special provisions relating to Payment Dates: | New York City, Hong Kong |
| 33. | 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: | Not Applicable |
| 34. | 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: | Not Applicable |
| 35. | Redenomination, Renominalisation and Reconventioning: | Not Applicable |
| 36. | Consolidation provisions: | Not Applicable |
| 37. | Use of Proceeds: | Refinance of existing indebtedness and/or other general corporate purposes in accordance with applicable laws and registration documents. |
| 38. | Other terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | | |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 39. | (a) If syndicated, names of Managers: | Agricultural Bank of China Limited Hong Kong Branch
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas
BOCI Asia Limited
Merrill Lynch (Asia Pacific) Limited
CCB International Capital Limited
China CITIC Bank International Limited |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

China Construction Bank (Asia) Corporation Limited
 China Minsheng Banking Corp., Ltd., Hong Kong Branch
 Cinda International Capital Limited
 CMB International Capital Limited
 DBS Bank Ltd.
 Haitong International Securities Company Limited
 Mizuho Securities Asia Limited
 Nanyang Commercial Bank, Limited
 Standard Chartered Bank
 China Galaxy International Securities (Hong Kong) Co.,
 Ltd
 China International Capital Corporation Hong Kong
 Securities Limited
 China Merchants Securities (HK) Co., Limited
 China Securities (International) Corporate Finance Company
 Limited
 CLSA Limited
 CMB Wing Lung Bank Limited
 Credit Suisse (Hong Kong) Limited
 Deutsche Bank AG, Hong Kong Branch
 Dongxing Securities (Hong Kong) Company Limited
 Huarong International Securities Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Morgan Stanley & Co. International plc
 Shanghai Pudong Development Bank Co., Ltd., Hong
 Kong Branch

- (b) Stabilising Manager (if any): Any of the Joint Lead Managers other than China CITIC Bank International Limited
40. If non-syndicated, name of Dealer: Not Applicable
41. U.S. selling restrictions: Regulation S, Category 2
42. Additional selling restrictions: Not Applicable
43. Interests of Joint Lead Managers involved in the issue/offer: Not Applicable

OPERATIONAL INFORMATION

44. ISIN Code: XS2281791082
45. Common Code: 228179108
46. LEI Code of Issuer: 549300ZIBIB6Z9RSNU64
47. Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): Not Applicable
48. Delivery: Delivery against payment
49. Additional Paying Agent(s) (if any): Not Applicable

50. Additional Registrar (if any): Not Applicable

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of the Issuer.


RESPONSIBILITY

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

Signed on behalf of **China Cinda (2020) I Management Limited**

By:  _____
Duly Authorised

Signed on behalf of **China Cinda (HK) Holdings Company Limited**

By:  _____
Duly Authorised

APPENDIX 3 – 2026 NOTES PRICING SUPPLEMENT

PRICING SUPPLEMENT

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**); 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 / 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 Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); 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. 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.

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 EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day 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. 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment

Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 12 January 2021

China Cinda (2020) I Management Limited

**Issue of U.S.\$300,000,000 1.875% Guaranteed Notes due 2026 (the Notes)
under the U.S.\$2,000,000,000 Medium Term Note Programme**

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

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) (**Professional Investors**).

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and have been 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.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 7 January 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

- | | | |
|----|-----------------------------------|---------------------------------------------------------|
| 1. | Issuer: | China Cinda (2020) I Management Limited |
| 2. | (a) Status of the Notes: | Senior |
| | (b) Guarantee: | Guaranteed by China Cinda (HK) Holdings Company Limited |
| 3. | (a) Series Number: | 002 |
| | (b) Tranche: | 001 |
| 4. | Specified Currency or Currencies: | United States dollars |

5. Aggregate Nominal Amount: U.S.\$300,000,000
6. (a) Issue Price: 99.772 per cent. of the Aggregate Nominal Amount
(b) Gross Proceeds: U.S.\$299,316,000
7. (a) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(b) Calculation Amount: U.S.\$1,000
8. (a) Issue Date: 20 January 2021
(b) Interest Commencement Issue Date
Date:
9. Maturity Date: 20 January 2026
10. (a) Interest Basis: 1.875 per cent. Fixed Rate (further particulars specified below)
(b) Default Rate: None
11. Redemption/Payment Basis: Redemption at par
12. Change of Interest or Not Applicable
Redemption/Payment Basis:
13. Put/Call Options: Issuer Call (further particulars specified below)
14. NDRC Registration/Confirmation: The registration certificate issued by the National Development and Reform Commission on 23 October 2020
15. Listing: The Stock Exchange of Hong Kong Limited (the expected effective listing date of the Notes is on or around 21 January 2021)
16. Place of Payment: New York City, Hong Kong
17. Method of distribution: Syndicated
18. Private Bank Rebate/Commission Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Note Provisions Applicable
- (a) Rate of Interest: 1.875 per cent. per annum payable semi-annually in arrears
- (b) Interest Payment Dates: 20 January and 20 July in each year, commencing on 20 July 2021
- (c) Fixed Coupon Amount: U.S.\$9.375 per Calculation Amount
- (d) Broken Amount(s): Not Applicable

- (e) Day Count Fraction: 30/360
 - (f) Determination Dates: Not Applicable
 - (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 20. **Floating Rate Note Provisions** Not Applicable
 - 21. **Zero Coupon Note Provisions** Not Applicable
 - 22. **Index-Linked Interest Note Provisions** Not Applicable
 - 23. **Dual Currency Note Provisions** Not Applicable
 - 24. **Default Rate** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 25. Call Option Applicable
 - (a) Optional Redemption Date(s): The Issuer may, at its option, at any time and from time to time redeem the Notes, in whole or in part, in accordance with Condition 6(d), as amended by the below
 - (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): If the Optional Redemption Date falls on or prior to three months prior to the Maturity Date, an amount equal to the greater of (1) 100% of the principal amount of the Note and (2) the sum of the then current values of the remaining scheduled payments of principal and interest discounted to the Optional Redemption Date on an annual basis based on the actual number of days elapsed divided by 360 at the Treasury Rate plus 25 basis points.

If the Optional Redemption Date falls within the three months prior to the Maturity Date, an amount equal to 100% of the principal amount of the Note.

For these purposes,

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Bank that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three

such Reference Treasury Dealer Quotations, the average of all quotations obtained.

“**Reference Treasury Dealer**” means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Issuer in good faith.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

“**Treasury Rate**” means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity computed as of the third Business Day immediately preceding such redemption date).

- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: U.S.\$200,000
 - (ii) Maximum Redemption Amount: Not Applicable
- (d) Notice period: Not less than 20 nor more than 30 days’ irrevocable notice to the Noteholders
- 26. **Put Option** Not Applicable
- 27. **Final Redemption Amount of each Note** U.S.\$1,000 per Calculation Amount
- 28. **Early Redemption Amount**
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): U.S.\$1,000 per Calculation Amount
- 29. **Other Redemption/Repurchase Events** Condition 6(c) (*Redemption for Taxation Reasons*) and Condition 6(f) (*Repurchase for Change of Control Triggering Event*) are applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 30. | (a) Form of Notes: | Registered Notes |
| | (b) Applicable TEFRA exemption: | Not Applicable |
| 31. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 32. | Financial Center(s) or other special provisions relating to Payment Dates: | New York City, Hong Kong |
| 33. | 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: | Not Applicable |
| 34. | 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: | Not Applicable |
| 35. | Redenomination, Renominalisation and Reconventioning: | Not Applicable |
| 36. | Consolidation provisions: | Not Applicable |
| 37. | Use of Proceeds: | Refinance of existing indebtedness and/or other general corporate purposes in accordance with applicable laws and registration documents |
| 38. | Other terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | | |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 39. | (a) If syndicated, names of Managers: | Agricultural Bank of China Limited Hong Kong Branch
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas
BOCI Asia Limited
Merrill Lynch (Asia Pacific) Limited
CCB International Capital Limited
China CITIC Bank International Limited |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

China Construction Bank (Asia) Corporation Limited
 China Minsheng Banking Corp., Ltd., Hong Kong Branch
 Cinda International Capital Limited
 CMB International Capital Limited
 DBS Bank Ltd.
 Haitong International Securities Company Limited
 Mizuho Securities Asia Limited
 Nanyang Commercial Bank, Limited
 Standard Chartered Bank
 China Galaxy International Securities (Hong Kong) Co.,
 Ltd
 China International Capital Corporation Hong Kong
 Securities Limited
 China Merchants Securities (HK) Co., Limited
 China Securities (International) Corporate Finance Company
 Limited
 CLSA Limited
 CMB Wing Lung Bank Limited
 Credit Suisse (Hong Kong) Limited
 Deutsche Bank AG, Hong Kong Branch
 Dongxing Securities (Hong Kong) Company Limited
 Huarong International Securities Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Morgan Stanley & Co. International plc
 Shanghai Pudong Development Bank Co., Ltd., Hong
 Kong Branch

- | | | |
|-----|---------------------------------------------------------------|----------------------------------------------------------------------------------|
| (b) | Stabilising Manager (if any): | Any of the Joint Lead Managers other than China CITIC Bank International Limited |
| 40. | If non-syndicated, name of Dealer: | Not Applicable |
| 41. | U.S. selling restrictions: | Regulation S, Category 2 |
| 42. | Additional selling restrictions: | Not Applicable |
| 43. | Interests of Joint Lead Managers involved in the issue/offer: | Not Applicable |

OPERATIONAL INFORMATION

- | | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 44. | ISIN Code: | XS2281795075 |
| 45. | Common Code: | 228179507 |
| 46. | LEI Code of Issuer: | 549300ZIBIB6Z9RSNU64 |
| 47. | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): | Not Applicable |
| 48. | Delivery: | Delivery against payment |
| 49. | Additional Paying Agent(s) (if any): | Not Applicable |

50. Additional Registrar (if any): Not Applicable

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of the Issuer.


RESPONSIBILITY

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

Signed on behalf of **China Cinda (2020) I Management Limited**

By:  _____
Duly Authorised

Signed on behalf of **China Cinda (HK) Holdings Company Limited**

By:  _____
Duly Authorised

APPENDIX 4 – 2028 NOTES PRICING SUPPLEMENT

PRICING SUPPLEMENT

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**); 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 / 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 Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); 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. 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.

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 EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day 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. 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment

Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 12 January 2021

China Cinda (2020) I Management Limited

**Issue of U.S.\$400,000,000 2.500% Guaranteed Notes due 2028 (the Notes)
under the U.S.\$2,000,000,000 Medium Term Note Programme**

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

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) (**Professional Investors**).

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and have been 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.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 7 January 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

- | | | |
|----|-----------------------------------|---------------------------------------------------------|
| 1. | Issuer: | China Cinda (2020) I Management Limited |
| 2. | (a) Status of the Notes: | Senior |
| | (b) Guarantee: | Guaranteed by China Cinda (HK) Holdings Company Limited |
| 3. | (a) Series Number: | 003 |
| | (b) Tranche: | 001 |
| 4. | Specified Currency or Currencies: | United States dollars |

5. Aggregate Nominal Amount: U.S.\$400,000,000
6. (a) Issue Price: 98.644 per cent. of the Aggregate Nominal Amount
(b) Gross Proceeds: U.S.\$394,576,000
7. (a) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(b) Calculation Amount: U.S.\$1,000
8. (a) Issue Date: 20 January 2021
(b) Interest Commencement Issue Date
Date:
9. Maturity Date: 20 January 2028
10. (a) Interest Basis: 2.500 per cent. Fixed Rate (further particulars specified below)
(b) Default Rate: None
11. Redemption/Payment Basis: Redemption at par
12. Change of Interest or Not Applicable
Redemption/Payment Basis:
13. Put/Call Options: Issuer Call (further particulars specified below)
14. NDRC Registration/Confirmation: The registration certificate issued by the National Development and Reform Commission on 23 October 2020
15. Listing: The Stock Exchange of Hong Kong Limited (the expected effective listing date of the Notes is on or around 21 January 2021)
16. Place of Payment: New York City, Hong Kong
17. Method of distribution: Syndicated
18. Private Bank Rebate/Commission Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Note Provisions Applicable
- (a) Rate of Interest: 2.500 per cent. per annum payable semi-annually in arrears
- (b) Interest Payment Dates: 20 January and 20 July in each year, commencing on 20 July 2021
- (c) Fixed Coupon Amount: U.S.\$12.500 per Calculation Amount
- (d) Broken Amount(s): Not Applicable

- (e) Day Count Fraction: 30/360
 - (f) Determination Dates: Not Applicable
 - (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 20. **Floating Rate Note Provisions** Not Applicable
 - 21. **Zero Coupon Note Provisions** Not Applicable
 - 22. **Index-Linked Interest Note Provisions** Not Applicable
 - 23. **Dual Currency Note Provisions** Not Applicable
 - 24. **Default Rate** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 25. Call Option Applicable
 - (a) Optional Redemption Date(s): The Issuer may, at its option, at any time and from time to time redeem the Notes, in whole or in part, in accordance with Condition 6(d), as amended by the below
 - (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): If the Optional Redemption Date falls on or prior to three months prior to the Maturity Date, an amount equal to the greater of (1) 100% of the principal amount of the Note and (2) the sum of the then current values of the remaining scheduled payments of principal and interest discounted to the Optional Redemption Date on an annual basis based on the actual number of days elapsed divided by 360 at the Treasury Rate plus 25 basis points.

If the Optional Redemption Date falls within the three months prior to the Maturity Date, an amount equal to 100% of the principal amount of the Note.

For these purposes,

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Bank that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three

such Reference Treasury Dealer Quotations, the average of all quotations obtained.

“**Reference Treasury Dealer**” means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Issuer in good faith.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

“**Treasury Rate**” means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity computed as of the third Business Day immediately preceding such redemption date).

- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: U.S.\$200,000
 - (ii) Maximum Redemption Amount: Not Applicable
- (d) Notice period: Not less than 20 nor more than 30 days’ irrevocable notice to the Noteholders
- 26. **Put Option** Not Applicable
- 27. **Final Redemption Amount of each Note** U.S.\$1,000 per Calculation Amount
- 28. **Early Redemption Amount**
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): U.S.\$1,000 per Calculation Amount
- 29. **Other Redemption/Repurchase Events** Condition 6(c) (*Redemption for Taxation Reasons*) and Condition 6(f) (*Repurchase for Change of Control Triggering Event*) are applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 30. | (a) Form of Notes: | Registered Notes |
| | (b) Applicable TEFRA exemption: | Not Applicable |
| 31. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 32. | Financial Center(s) or other special provisions relating to Payment Dates: | New York City, Hong Kong |
| 33. | 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: | Not Applicable |
| 34. | 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: | Not Applicable |
| 35. | Redenomination, Renominalisation and Reconventioning: | Not Applicable |
| 36. | Consolidation provisions: | Not Applicable |
| 37. | Use of Proceeds: | Refinance of existing indebtedness and/or other general corporate purposes in accordance with applicable laws and registration documents |
| 38. | Other terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | | |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 39. | (a) If syndicated, names of Managers: | Agricultural Bank of China Limited Hong Kong Branch
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas
BOCI Asia Limited
Merrill Lynch (Asia Pacific) Limited
CCB International Capital Limited
China CITIC Bank International Limited |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

China Construction Bank (Asia) Corporation Limited
 China Minsheng Banking Corp., Ltd., Hong Kong Branch
 Cinda International Capital Limited
 CMB International Capital Limited
 DBS Bank Ltd.
 Haitong International Securities Company Limited
 Mizuho Securities Asia Limited
 Nanyang Commercial Bank, Limited
 Standard Chartered Bank
 China Galaxy International Securities (Hong Kong) Co.,
 Ltd
 China International Capital Corporation Hong Kong
 Securities Limited
 China Merchants Securities (HK) Co., Limited
 China Securities (International) Corporate Finance Company
 Limited
 CLSA Limited
 CMB Wing Lung Bank Limited
 Credit Suisse (Hong Kong) Limited
 Deutsche Bank AG, Hong Kong Branch
 Dongxing Securities (Hong Kong) Company Limited
 Huarong International Securities Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Morgan Stanley & Co. International plc
 Shanghai Pudong Development Bank Co., Ltd., Hong
 Kong Branch

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|-----|---------------------------------------------------------------|----------------------------------------------------------------------------------|
| (b) | Stabilising Manager (if any): | Any of the Joint Lead Managers other than China CITIC Bank International Limited |
| 40. | If non-syndicated, name of Dealer: | Not Applicable |
| 41. | U.S. selling restrictions: | Regulation S, Category 2 |
| 42. | Additional selling restrictions: | Not Applicable |
| 43. | Interests of Joint Lead Managers involved in the issue/offer: | Not Applicable |

OPERATIONAL INFORMATION

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| 44. | ISIN Code: | XS2281797790 |
| 45. | Common Code: | 228179779 |
| 46. | LEI Code of Issuer: | 549300ZIBIB6Z9RSNU64 |
| 47. | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): | Not Applicable |
| 48. | Delivery: | Delivery against payment |
| 49. | Additional Paying Agent(s) (if any): | Not Applicable |

50. Additional Registrar (if any): Not Applicable

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of the Issuer.


RESPONSIBILITY

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

Signed on behalf of **China Cinda (2020) I Management Limited**

By:  _____
Duly Authorised

Signed on behalf of **China Cinda (HK) Holdings Company Limited**

By:  _____
Duly Authorised

APPENDIX 5 – 2031 NOTES PRICING SUPPLEMENT

PRICING SUPPLEMENT

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**); 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 / 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 Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); 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. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs 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.

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 EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day 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. 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment

Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 12 January 2021

China Cinda (2020) I Management Limited

**Issue of U.S.\$800,000,000 3.000% Guaranteed Notes due 2031 (the Notes)
under the U.S.\$2,000,000,000 Medium Term Note Programme**

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

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) (**Professional Investors**).

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and have been 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.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 7 January 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

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|----|-----------------------------------|---------------------------------------------------------|
| 1. | Issuer: | China Cinda (2020) I Management Limited |
| 2. | (a) Status of the Notes: | Senior |
| | (b) Guarantee: | Guaranteed by China Cinda (HK) Holdings Company Limited |
| 3. | (a) Series Number: | 004 |
| | (b) Tranche: | 001 |
| 4. | Specified Currency or Currencies: | United States dollars |

5. Aggregate Nominal Amount: U.S.\$800,000,000
6. (a) Issue Price: 98.959 per cent. of the Aggregate Nominal Amount
(b) Gross Proceeds: U.S.\$791,672,000
7. (a) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(b) Calculation Amount: U.S.\$1,000
8. (a) Issue Date: 20 January 2021
(b) Interest Commencement Issue Date
Date:
9. Maturity Date: 20 January 2031
10. (a) Interest Basis: 3.000 per cent. Fixed Rate (further particulars specified below)
(b) Default Rate: None
11. Redemption/Payment Basis: Redemption at par
12. Change of Interest or Not Applicable
Redemption/Payment Basis:
13. Put/Call Options: Issuer Call (further particulars specified below)
14. NDRC Registration/Confirmation: The registration certificate issued by the National Development and Reform Commission on 23 October 2020
15. Listing: The Stock Exchange of Hong Kong Limited (the expected effective listing date of the Notes is on or around 21 January 2021)
16. Place of Payment: New York City, Hong Kong
17. Method of distribution: Syndicated
18. Private Bank Rebate/Commission Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Note Provisions Applicable
- (a) Rate of Interest: 3.000 per cent. per annum payable semi-annually in arrears
- (b) Interest Payment Dates: 20 January and 20 July in each year, commencing on 20 July 2021
- (c) Fixed Coupon Amount: U.S.\$15.000 per Calculation Amount
- (d) Broken Amount(s): Not Applicable

- (e) Day Count Fraction: 30/360
 - (f) Determination Dates: Not Applicable
 - (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 20. **Floating Rate Note Provisions** Not Applicable
 - 21. **Zero Coupon Note Provisions** Not Applicable
 - 22. **Index-Linked Interest Note Provisions** Not Applicable
 - 23. **Dual Currency Note Provisions** Not Applicable
 - 24. **Default Rate** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 25. Call Option Applicable
 - (a) Optional Redemption Date(s): The Issuer may, at its option, at any time and from time to time redeem the Notes, in whole or in part, in accordance with Condition 6(d), as amended by the below
 - (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): If the Optional Redemption Date falls on or prior to three months prior to the Maturity Date, an amount equal to the greater of (1) 100% of the principal amount of the Note and (2) the sum of the then current values of the remaining scheduled payments of principal and interest discounted to the Optional Redemption Date on an annual basis based on the actual number of days elapsed divided by 360 at the Treasury Rate plus 25 basis points.

If the Optional Redemption Date falls within the three months prior to the Maturity Date, an amount equal to 100% of the principal amount of the Note.

For these purposes,

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Bank that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three

such Reference Treasury Dealer Quotations, the average of all quotations obtained.

“**Reference Treasury Dealer**” means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Issuer in good faith.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

“**Treasury Rate**” means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity computed as of the third Business Day immediately preceding such redemption date).

- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: U.S.\$200,000
 - (ii) Maximum Redemption Amount: Not Applicable
- (d) Notice period: Not less than 20 nor more than 30 days’ irrevocable notice to the Noteholders
- 26. **Put Option** Not Applicable
- 27. **Final Redemption Amount of each Note** U.S.\$1,000 per Calculation Amount
- 28. **Early Redemption Amount**
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): U.S.\$1,000 per Calculation Amount
- 29. **Other Redemption/Repurchase Events** Condition 6(c) (*Redemption for Taxation Reasons*) and Condition 6(f) (*Repurchase for Change of Control Triggering Event*) are applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 30. | (a) Form of Notes: | Registered Notes |
| | (b) Applicable TEFRA exemption: | Not Applicable |
| 31. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 32. | Financial Center(s) or other special provisions relating to Payment Dates: | New York City, Hong Kong |
| 33. | 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: | Not Applicable |
| 34. | 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: | Not Applicable |
| 35. | Redenomination, Renominalisation and Reconventioning: | Not Applicable |
| 36. | Consolidation provisions: | Not Applicable |
| 37. | Use of Proceeds: | Refinance of existing indebtedness and/or other general corporate purposes in accordance with applicable laws and registration documents |
| 38. | Other terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | | |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 39. | (a) If syndicated, names of Managers: | Agricultural Bank of China Limited Hong Kong Branch
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas
BOCI Asia Limited
Merrill Lynch (Asia Pacific) Limited
CCB International Capital Limited
China CITIC Bank International Limited |
|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

China Construction Bank (Asia) Corporation Limited
 China Minsheng Banking Corp., Ltd., Hong Kong Branch
 Cinda International Capital Limited
 CMB International Capital Limited
 DBS Bank Ltd.
 Haitong International Securities Company Limited
 Mizuho Securities Asia Limited
 Nanyang Commercial Bank, Limited
 Standard Chartered Bank
 China Galaxy International Securities (Hong Kong) Co.,
 Ltd
 China International Capital Corporation Hong Kong
 Securities Limited
 China Merchants Securities (HK) Co., Limited
 China Securities (International) Corporate Finance Company
 Limited
 CLSA Limited
 CMB Wing Lung Bank Limited
 Credit Suisse (Hong Kong) Limited
 Deutsche Bank AG, Hong Kong Branch
 Dongxing Securities (Hong Kong) Company Limited
 Huarong International Securities Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Morgan Stanley & Co. International plc
 Shanghai Pudong Development Bank Co., Ltd., Hong
 Kong Branch

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|-----|---------------------------------------------------------------|----------------------------------------------------------------------------------|
| (b) | Stabilising Manager (if any): | Any of the Joint Lead Managers other than China CITIC Bank International Limited |
| 40. | If non-syndicated, name of Dealer: | Not Applicable |
| 41. | U.S. selling restrictions: | Regulation S, Category 2 |
| 42. | Additional selling restrictions: | Not Applicable |
| 43. | Interests of Joint Lead Managers involved in the issue/offer: | Not Applicable |

OPERATIONAL INFORMATION

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|-----|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 44. | ISIN Code: | XS2281799572 |
| 45. | Common Code: | 228179957 |
| 46. | LEI Code of Issuer: | 549300ZIBIB6Z9RSNU64 |
| 47. | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): | Not Applicable |
| 48. | Delivery: | Delivery against payment |
| 49. | Additional Paying Agent(s) (if any): | Not Applicable |

50. Additional Registrar (if any): Not Applicable

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Stock Exchange of Hong Kong Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of the Issuer.


RESPONSIBILITY

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

Signed on behalf of **China Cinda (2020) I Management Limited**

By:  _____
Duly Authorised

Signed on behalf of **China Cinda (HK) Holdings Company Limited**

By:  _____
Duly Authorised