HORSE GALLOP FINANCE LIMITED

(a company incorporated with the British Virgin Islands)

(the "Issuer")

U.S.$600,000,000 1.10 per cent. Guaranteed Notes due 2024 (the "Notes")
(Stock Code: 40774)

issued under the U.S.$4,000,000,000 Medium Term Note Programme (the "Programme")

Unconditionally and Irrevocably Guaranteed by

ICBC 工银国际

ICBC INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong)

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 15 July 2021 (the "**Offering Circular**") in relation to the Programme and the pricing supplement dated 19 July 2021 (the "**Pricing Supplement**") in relation to the Notes each appended hereto. The Issuer announces that the listing of the Notes on the Hong Kong Stock Exchange and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only has become effective on 27 July 2021.

27 July 2021

As at the date of this announcement, the directors of Horse Gallop Finance Limited are Lai Wan Leung and Ha Leung Man.

As at the date of this announcement, the directors of ICBC International Holdings Limited are An Liyan, Chang Zhenwang, Wang Yixin, Hu Yimin and Gao Dong.

IMPORTANT NOTICE

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND SECURITIES IN BEARER FORM ARE SUBJECT TO US TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED INTO OR WITHIN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY US PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

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

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Horse Gallop Finance Limited (the "**Issuer**"), ICBC International Holdings Limited (the "**Guarantor**") and ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited, or any additional Arranger or Dealer appointed under the Programme (together, the "Arrangers" and the "**Dealers**"), any person who controls any of the Arrangers or the Dealers, any director, officer, employee nor agent of the Issuer or the Guarantor or the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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

HORSE GALLOP FINANCE LIMITED

(incorporated with limited liability in the British Virgin Islands)
(as the Issuer, a wholly-owned subsidiary of ICBC International Holdings Limited)

unconditionally and irrevocably guaranteed by

ICBC 工银国际

ICBC INTERNATIONAL HOLDINGS LIMITED
US$4,000,000,000
Medium Term Note Programme

Under the US$4,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Horse Gallop Finance Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by ICBC International Holdings Limited (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed US$4,000,000,000 (or its equivalent in other currencies, subject to increase as described herein). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

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

Notice to Hong Kong investors: each of the Issuer and the Guarantor confirms that each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes issued under the Programme is intended for purchase by Professional Investors only and, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved. **The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor and the Group (as defined herein), or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*" and each term therein, a "**Condition**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or any other stock exchange.

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Notes**"). Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as global certificates ("**Global Certificates**"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority (the "**HKMA**").

Where the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the National Development and Reform Commission of the PRC (the "**NDRC**") and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the relevant pre-issuance registration or amended registration certificate available to the Guarantor (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the Notes to be issued in accordance with these Conditions, with respect to the offering of a particular tranche of Notes, the Guarantor undertakes to cause the relevant entity to make the required filing with the NDRC within the period prescribed in the NDRC Circular and obtain the relevant certificate of any registration or amended registration (where applicable) with respect to the offering of the Notes.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to US tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered into or within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S under the Securities Act ("Regulation S"), to, or for the benefit of, US persons (as defined in Regulation S). Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE. The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (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.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "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 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 relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs/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 European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Programme is expected to be assigned ratings of "A2" by Moody's Investors Service ("**Moody's**") and "A-" by S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. ("**S&P**"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes and the Guarantee of the Notes, are discussed under "*Risk Factors*" below.

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

Arrangers and Dealers

ICBC International	**ICBC (Asia)**	**HSBC**

The date of this Offering Circular is 15 July 2021

IMPORTANT NOTICE

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

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

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Group, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Group, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Group, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the EEA, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, and to persons connected therewith. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered into or within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to, or for the benefit of, US persons (as defined in Regulation S). For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

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

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

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

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer, the Guarantor or the Group since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed US$4,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into US dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

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

OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

None of the Arrangers, the Dealers or any Agents (as defined under "*Terms and Conditions of the Notes*") has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers or any Agent or any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any Arranger, any Dealer, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE. The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (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.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by 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 relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs/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 European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRESENTATION OF INFORMATION

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

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

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

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

The Guarantor has initially applied HKFRS 16 (*Leases*) as from 1 January 2019. The Guarantor has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information for previous financial years has not been restated and continues to be reported under the previous HKAS 17 (*Leases*) accounting standard. Please refer to note 2.3 (*Changes in accounting policies*) to the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 for details. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2019 against the Guarantor's historical financial figures prior to 1 January 2019 and when evaluating the Guarantor's financial condition and results of operations. None of the Arrangers, the Dealers or the Agents or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the sufficiency of such financial information of the Group for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations.

FORWARD LOOKING STATEMENTS

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

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

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

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

CONTENTS

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	Horse Gallop Finance Limited.
Issuer Legal Entity Identifier (LEI).	5493005LA8SD8BDUW128
Guarantor	ICBC International Holdings Limited.
Description	Medium Term Note Programme.
Programme Size.	Up to US$4,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) aggregate nominal amount of Notes outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor in fulfilling their respective obligations in respect of the Notes and the Guarantee of the Notes are discussed under the section "*Risk Factors*" below.
Arrangers	ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited.
Dealers	ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Issuing and Paying Agent and Transfer Agent. . .	Industrial and Commercial Bank of China (Asia) Limited.
Fiscal Agent	Industrial and Commercial Bank of China (Asia) Limited.
CMU Lodging and Paying Agent and Registrar . .	Industrial and Commercial Bank of China (Asia) Limited.

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), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	Euroclear, Clearstream and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer of Notes and the relevant Dealer.
Form of Notes	Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-US beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.
Currencies.	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes	The Notes constitute senior, direct, general, unsubordinated, (subject to provisions in Condition 5(a) of the Terms and Conditions of the Notes) unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Guarantee of the Notes . . . . The Guarantee of the Notes constitutes senior, direct, general, unsubordinated, (subject to provisions in Condition 5(a) of the Terms and Conditions of the Notes) unsecured and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future 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.

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

Maturities . . . . Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

Redemption . . . . Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.

Optional Redemption . . . Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.

Redemption for Change of Control . . . . At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Put Settlement Date at a redemption price equal to the Early Redemption Amount (Change of Control), together with interest accrued to such Put Settlement Date, as further described in Condition 10(e) of the Terms and Conditions of the Notes.

Redemption for tax reasons . . . . Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption for tax reasons*).

Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate, floating rate, other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Benchmark Discontinuation.	See Condition 7(f) (*Benchmark Replacement for Notes*) *(other than Notes where the Reference Rate is specified as being SOFR Benchmark*) and Condition 7(g) (*Benchmark Replacement (SOFR Benchmark*)).
Denominations.	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Events of Default	The Notes will contain certain events of default provisions, including a cross-default provision as further described in Condition 14 (*Events of Default*).
Withholding Tax	All payments of principal and interest in respect of Notes and the Guarantee of the Notes will be made free and clear of withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC or Hong Kong or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding or deduction been required.
Listing and Trading	Application will be made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies). Separate application will be made for the listing of the Notes on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Governing Law	English law.

Ratings	The Programme is expected to be assigned ratings of "A2" by Moody's and "A-" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension and withdrawal at any time by the relevant rating organisation.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, see "*Subscription and Sale*" below.
Initial Delivery of Notes .	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU or 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 Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee or a sub-custodian for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

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

The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with HKFRS. The summary consolidated financial statements as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the relevant consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular.

The Guarantor has initially applied HKFRS 16 (Leases) as from 1 January 2019. The Guarantor has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information for previous financial years has not been restated and continues to be reported under the previous HKAS 17 (Leases) accounting standard. Please refer to note 2.3 (Changes in accounting policies) to the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 for details. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2019 against the Guarantor's historical financial figures prior to 1 January 2019 and when evaluating the Guarantor's financial condition and results of operations.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December		
	2018[(1)]	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Revenue	3,278,294	3,760,918	3,494,650
Other net income	422,156	1,582,786	2,172,602
	3,732,122	5,343,704	5,667,252
Staff costs	(736,417)	(819,835)	(1,012,001)
Other operating expenses	(341,636)	(631,644)	(1,100,779)
Finance costs	(1,608,514)	(1,941,952)	(1,515,292)
Net charge of expected credit loss	31,672	(59,247)	(92,517)
	(2,686,567)	**(3,452,678)**	**(3,720,589)**
	1,045,555	1,891,026	1,946,663
Share of profits of joint ventures	225,685	37,066	180,459
Share of profits/(losses) of associates	344,128	(57,332)	187,230
Profit before tax	**1,615,368**	**1,870,760**	**2,314,352**
Tax charge	(92,078)	(320,144)	(382,579)
Profit for the year	**1,523,290**	**1,550,616**	**1,931,773**
Attributable to:			
Equity shareholders of the Company	1,497,550	1,550,616	1,931,751
Non-controlling interests	25,740	-	22
Profit for the year	1,523,290	1,550,616	1,931,773
Other comprehensive income			
Items that would not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) investments:			
Change in fair value of FVOCI investments	–	(11,284)	3,870
	–	(11,284)	3,870

	For the year ended 31 December		
	2018[1]	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Items that may be reclassified subsequently to profit or loss			
Financial assets at fair value through other comprehensive income (FVOCI) investments:			
Change in fair value of FVOCI investments	(986,796)	610,304	115,007
Transfer from FVOCI investment revaluation reserve to profit or loss on disposal of investments	3,208	32,849	(20,284)
Expected credit loss on FVOCI investments	(24,536)	15,432	50,358
Deferred tax effect	162,207	(124,126)	(23,849)
	(845,917)	534,459	120,692
Hedging reserve:			
Cash flow hedge: net movement in the hedging reserve	(31,343)	(60,991)	21,067
Deferred tax effect	–	–	11,760
	(31,343)	(60,991)	32,827
Exchange differences on translation of foreign operations	(17,744)	(21,290)	29,912
Other comprehensive income for the year, net of tax	**(895,004)**	**440,894**	**187,301**
Total comprehensive income for the year	**628,286**	**1,991,510**	**2,119,074**
Attributable to:			
Equity shareholders of the Company	602,546	1,991,500	2,119,052
Non-controlling interests	25,740	10	22
Total comprehensive income for the year	**628,286**	**1,991,510**	**2,119,074**

(1) The Guarantor has initially applied HKFRS 16 (*Leases*) at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information for previous financial years is not restated and continues to be reported under the previous HKAS 17 (*Leases*) accounting standard. Please refer to note 2.3 (*Changes in accounting policies*) to the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 for details.

Consolidated statement of financial position

	For the year ended 31 December		
	2018[(1)]	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Cash and cash equivalents	5,166,863	4,506,578	8,383,092
Term deposits	3,624,397	6,900,577	7,433,923
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	4,692,134	4,277,254	4,190,803
Financial assets at fair value through profit or loss	14,465,103	16,738,494	13,201,414
Financial assets at fair value through other comprehensive income	9,083,680	10,213,384	9,453,512
Derivative financial assets	7,159	1,629	77,345
Financial assets purchased under resell agreement	–	–	177,032
Prepayments, deposits and other receivables	2,009,297	1,380,004	1,556,017
Accounts receivable	106,992	79,710	209,497
Loans receivable	17,337,460	15,584,710	10,930,293
Investments in joint ventures	6,351,949	6,005,973	5,996,960
Investments in associates	1,368,349	965,784	682,489
Property, plant and equipment	27,521	159,962	554,683
Other assets	5,356	5,902	23,981
Tax recoverable	–	13,309	24,475
Deferred tax assets	197,221	66,726	100,346
TOTAL ASSETS	**64,443,481**	**66,899,996**	**62,995,862**
LIABILITIES			
Bank loans	35,844,731	36,126,283	27,465,027
Financial assets sold under repurchase agreements	1,299,589	570,186	924,120
Medium-term notes and fixed rate notes payable	16,006,326	15,955,046	16,259,693
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	41,196	565,390	664,435
Financial liabilities at fair value through profit or loss	661,913	527,363	682,014
Derivative financial liabilities	52,332	94,208	168,044
Lease liabilities	–	117,597	509,859
Other payables and accruals	1,554,172	1,657,288	2,762,945
Tax payable	176,674	316,700	247,803
Deferred tax liabilities	88,220	267,765	490,678
TOTAL LIABILITIES	**55,725,153**	**56,197,826**	**50,174,618**
EQUITY			
Share capital	4,881,851	4,881,851	4,881,851
Retained profits	4,453,710	5,996,724	7,928,475
Reserves	(685,339)	(244,521)	(57,220)
Total equity attributable to equity shareholders of the Company	8,650,222	10,634,054	12,753,106
Non-controlling interests	68,106	68,116	68,138
TOTAL EQUITY	**8,718,328**	**10,702,170**	**12,821,244**
TOTAL EQUITY AND LIABILITIES	**64,443,481**	**66,899,996**	**62,995,862**

(1) The Guarantor has initially applied HKFRS 16 (*Leases*) at 1 January 2019 using the modified retrospective approach Under this approach, the comparative information for previous financial years is not restated and continues to be reported under the previous HKAS 17 (*Leases*) accounting standard. Please refer to note 2.3 (*Changes in accounting policies*) to the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 for details.

RISK FACTORS

Any investment in the Notes issued under the Programme is subject to a number of risks. Prior to making any investment decision, potential investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Guarantor or which the Issuer or the Guarantor currently deems to be immaterial, may affect the Issuer's, the Guarantor's or the Group's business, financial condition or results of operations of the Group or the Issuer's or the Guarantor's ability to fulfil its obligations under the Notes or the Guarantee respectively.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor the Guarantor represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESSES

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

A significant proportion of the Group's business opportunities originate from taking advantage of the global network and financial support of the ICBC Group including capital injections, intra-group lending and guarantees (see "*Description of the Group – Competitive Strengths – Strong support from the ICBC Group*"). Whilst the Group conducts business with a variety of clients across different markets and plans to continue to diversify its client base across its business lines, in some areas its business is based on the relationships it has built through clients and resources shared by the ICBC Group, and marketing alongside and collaborating with the ICBC Group. Furthermore, as at the date of this Offering Circular, the ICBC Group places particular focus on the Group in the ICBC Group's overall growth strategy, including integrating the Group in the ICBC Group's development plans and allowing the Group to cooperate with the ICBC Group in the expansion of its various businesses, client relationships and investment opportunities. In the event that the ICBC Group places less emphasis on the Group or changes its strategy, this could impact the Group's relationship with its clients and have a material adverse effect on the Group's business, revenue, fee income, results of operations and financial condition.

Furthermore, as the Group reports to the ICBC Group for approvals in relation to its annual investment strategies and formulates its various risk management measures and internal systems based on the ICBC Group's policies, the ICBC Group has significant influence and control over the systems, operations, governance and strategy of the Group. This may restrict or delay the Group's individual business management or strategy which may adversely affect its financial performance and operation. The ICBC Group is also responsible for the appointment and removal of the Board of Directors. The ICBC Group has, and will have, significant control over the management and overall operation of the Group, and any decisions it makes will have regard to various factors, including the overall interests of the ICBC Group. In addition, as the Group shares a risk management and internal system with the ICBC Group, any failure of those systems may in turn have a material and adverse impact on the Group's own internal systems.

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

The Group's business, financial condition, results of operations, prospects and ability to access liquidity may be impacted by macroeconomic and political risks. In particular, the Group's business is highly dependent on economic and market conditions in the PRC and Hong Kong, which in turn may be affected by global market conditions. Uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred during the 2008 global financial crisis and the ongoing COVID-19 pandemic, can have a material adverse effect on the Group. In addition, significant volatility in PRC stock markets (such as during the second half of 2015 and the beginning of 2016) has also had a significant impact on global markets, and in particular the Hong Kong stock market due to its increasing financial reliance on the PRC. Further, in March 2016, both Standard & Poor's Rating Services and Moody's Investors Service, Inc., changed the outlook of PRC's sovereign rating from stable to negative. On 24 May 2017, Moody's downgraded PRC's long-term local currency and foreign currency issuer ratings from "Aa3" to "A1" and changed the outlook from negative to stable. On 21 September 2017, Standard & Poor's downgraded PRC's long-term sovereign credit ratings to "A+" from "AA-". These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The economic recovery since the 2008 global financial crisis has been slow, with economic growth rates in major economies such as Europe, the United States, Japan and the PRC generally remaining persistently lower than pre-crisis levels. Moreover, there are on-going concerns about European sovereign debt levels and the consequences for economic growth and investor confidence in the Eurozone, the prolonged period of uncertainty around the exit of the United Kingdom from the European Union ("**Brexit**"), the China and United States trade wars, the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States. On 31 January 2020, the United Kingdom officially exited the European Union following the UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement (the "**TCA**"), which applied from 1 January 2021 and following a decision by the Council of the European Union, was ratified and entered into force on 1 May 2021. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. Given the lack of precedent, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

In addition, during 2018 and 2019, the US government imposed tariffs on Chinese imports, which then led the PRC to retaliate with tariffs on US imports. Whilst the US government and the PRC government have entered into a "phase one" trade agreement in early 2020, the effect of previously imposed tariffs on the economy of the PRC and the US may result in long-term structural shifts to the economies of both countries. It also remains to be seen whether the "phase one" trade agreement will be abided by both governments and successfully reduce trade tensions, in particular with respect to the recent pandemic-triggered disagreement among the PRC and the US. If either government violates the "phase one" trade agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Any further significant falls or increased volatility and instability may further impact global capital markets, potentially making it more difficult for the Group to access financing or impacting the Group's clients' interest in products and services, as well as the health of their businesses generally.

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to contain the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic had significantly disrupted the global economy and global markets. In addition, COVID-19 has led to significant volatility in global markets across all asset classes, including stocks, bonds, oil and other commodities, and this volatility may persist for some time. In early 2021, vaccination programmes have been rolled out in various countries, including the United States, China, the EU and UK. However, the effect of the vaccination programmes on the COVID-19 pandemic remains uncertain, and many countries, including India, are experiencing another wave of the COVID-19 pandemic, and in some cases new variants of COVID-19 could be more contagious. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets. In addition, PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to businesses and consumers to combat the challenges arising from the COVID-19 pandemic.

The outlook for the world economy and financial markets in 2021 and beyond remains uncertain. From time to time, the PRC and other countries may adopt, adjust or withdraw their macroeconomic measures, monetary policies and economic stimulus packages, which further increases the difficulty in predicting the outlook for the world economy and financial markets in the short to medium term. Economic conditions in the PRC and Hong Kong are sensitive to global economic conditions and it is impossible to predict how the PRC and Hong Kong economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and European countries between 2008 and 2011. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group participates and/or invests. Any decline in the number of capital markets and other transactions in the PRC and Hong Kong due to unfavourable financial or economic conditions may adversely affect the Group's business. Similarly, market volatility and adverse financial or economic conditions may also adversely affect the Group's business.

For example, in the case of the Group's asset management business, such conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. Likewise, adverse financial or economic conditions may also impact the Group's investment business. For example, market volatility may reduce the value of the Group's private equity investments and public market investments or make the Group's investments less liquid, and thus reduce the Group's returns from these investments and any associated capital gains. Such unfavourable market conditions may also result in price fluctuations and a decline in trading volumes, which in turn may adversely affect the revenues of the Group's corporate finance business and securities and brokerage services. Similarly, the value of the Group's investments in bond and equity instruments may be affected by volatility in capital markets, thereby adversely impacting the Group's results of operations and profitability.

There can be no assurance that the Group's business, financial position and operating results, as well as its future prospects, will not be materially and adversely affected in the event of any downturn in global or regional capital markets. A reduction in the Group's income or a loss resulting from its corporate finance, sales and trading, investing and asset management businesses could have a material and adverse effect on the Group's business, results of operations and financial condition.

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

The Group's business, and in particular, its investing business and asset management business, are subject to credit, investment and market risks. For example, the Group's public market investments (which focus on publicly listed equity and debt securities investments) are exposed to fluctuations in the stock and bond markets and therefore subject to market risks. Similarly, the Group is exposed to credit risk via its debt financing business, such as pre-IPO financing, M&A loans and mezzanine and bridge loans. In addition, the Group's business is subject to investment risks. For example, where assets held by the Group under its investing business devalue significantly and the Group considers that the devaluation is not temporary, significant impairment losses may be recognised and may have a material adverse impact on the Group's results of operations. General market or macroeconomic volatility, which may be caused by events including the European debt crisis, the potential withdrawal of countries from the Eurozone, significant volatility in the PRC stock market, and market volatility from COVID-19 and its impact on the global economy, may also result in a decrease of the unrealised gains of investment assets and/or reduction in dividend income, which in turn may have a material and adverse effect on the Group's financial condition and results of operations. See "*– The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by macroeconomic and political risks." and "– The occurrence of contagious diseases could affect the Group's business, financial condition or results of operations*". In the event of a severe downturn in the economy, the asset quality of the Group's portfolio may further deteriorate materially. Likewise, the Group's asset management business is also subject to investment risks. Any deterioration in the value of the Group's assets under management may reduce the management and performance fees earned by the Group.

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

The Group may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. The Group is also intending to seek out business opportunities in new markets globally. Expansion of and changes to the product and service range and the geographical exposure of the Group introduce a number of risks and challenges, including the following:

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

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

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

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

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

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

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

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

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

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

The Group operates in the highly competitive financial services industry.

The financial services industry in Asia, and in particular the PRC and Hong Kong, houses a large number of participants and is highly competitive. For instance, as of 31 December 2020, the total number of active trading Exchange Participants (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) on the Hong Kong Stock Exchange was 792. In addition, according to information published by the Securities and Futures Commission of Hong Kong (the "**SFC**"), as of 31 December 2020, there were a total of 3,122 licensed corporations engaging in regulated activities in Hong Kong, with a breakdown of their regulated activities as follows:

- Type 1 (dealing in securities): 1,448
- Type 2 (dealing in futures contracts): 374
- Type 3 (leveraged foreign exchange and trading): 35
- Type 4 (advising on securities): 1,731
- Type 5 (advising on futures contracts): 181
- Type 6 (advising on corporate finance): 332
- Type 7 (providing automated trading services): 24
- Type 8 (securities margin financing): 3
- Type 9 (asset management): 1,913
- Type 10 (providing credit rating services): 8
- Type 11 (dealing in OTC derivative products or advising on OTC derivative products): 0
- Type 12 (providing clearing agency services for OTC derivative transactions): 0

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

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

There can be no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. Under those circumstances, the Group's business and financial performance would be adversely affected.

The Group may be exposed to concentration risk in Hong Kong and the PRC.

The Group's key market is geographically in Hong Kong and the mainland China region, where the Group is primarily based. For example, some of the Group's key target clients are state-owned enterprises and financial institutions with local Hong Kong and mainland Chinese connections. Accordingly, any general deterioration in the economic conditions in Hong Kong and the PRC could adversely affect the Group's financial condition and results of operations. Similarly, a significant portion of the Group's portfolio in its investing business mainly consists of certain specific industries, including real estate, finance, logistics, chemical materials and products, technology, pharmaceuticals and healthcare. This commitment of capital exposes the Group to concentration risks, including market risk, in the case of the Group's holdings of concentrated or illiquid positions in a particular asset class or in certain industries, and credit risk. Any decline in certain business industries which the Group is concentrated on or decline in the value of illiquid assets or may reduce the Group's revenues or result in losses.

Although the Group regularly reviews credit exposures to specific clients and counterparties and to specific industries that the Group believes may present credit concerns, market risks and default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties. In general, the Group may therefore be exposed to concentration risk with respect to its business operations which could have an adverse effect on its financial condition and results of operations.

In addition, social unrest in Hong Kong in the second half of 2019 and 2020 has had a negative impact on Hong Kong's economy. On 5 September 2019, Fitch downgraded Hong Kong's Long-Term Foreign-Currency Issuer Default Rating from "AA+" to "AA", before further downgrading such rating to "AA-" on 20 April 2020. Moody's, on 20 January 2020, downgraded Hong Kong's long-term issuer and senior unsecured ratings from "Aa2" to "Aa3", citing the pressure of the protests to Hong Kong's socioeconomic environment and the potential for renewed eruptions of social unrest. The uncertainty in

Hong Kong's socioeconomic environment may further weigh on investor sentiment in Hong Kong and adversely impact the valuations of listed securities in Hong Kong's equity markets, which could affect the Group's sales and trading and investing businesses. In addition, this could also adversely affect the Group's existing and potential clients' interest in choosing Hong Kong as a listing venue and raising funds through Hong Kong's capital markets, which may then have an adverse impact on the Group's corporate finance business in acting as sponsor and underwriter for its existing and potential clients. Recent social unrest in Hong Kong is outside the control of the Group and any such demonstrations, protests or riots, if prolonged and continued into the future, could adversely impact the Group's business, financial condition and results of operations.

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

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

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

The Group operates and is expanding its business in both Hong Kong and cross-border markets. This will increasingly expose the Group to the credit risk of their trade and financial counterparties normally associated with cross-border business transactions and activities, including those relating to delayed payments from customers or difficulties in the collection of receivables. The Group enters into derivatives, foreign exchange and bullion contracts under which counterparties have obligations to make payments to it. The Group also extends credit to clients through margin financing or other arrangements that are secured by physical or financial collateral, the value of which may at times be insufficient to cover fully the loan repayment amount. As a result, the Group is exposed to the risks that third parties may default on their obligations because of bankruptcy, lack of liquidity, operational failures or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group. The Group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the Group to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity. Clients of securities transactions are required to settle their transactions before the prescribed period of time.

Although the Group regularly reviews credit exposures to specific clients, counterparties and industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties. There is no assurance that, even with the Group's experienced finance and accounting team, a customer will settle outstanding invoices on time. Failure to collect receivables could adversely affect the Group's cash flow and financial position.

Interest rate fluctuations may adversely affect the Group's businesses.

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases the Group's costs of funds, may also limit the Group's interest income and impact its financial results. Interest rates volatility may also affect stock market performance and general market sentiment, hence causing an indirect and adverse impact on the Group's business performance.

The Group's revenue may be adversely affected in the event that there are reductions in its assets under management.

The Group's revenue from its asset management business includes management fees and performance fees, which are based on the specific nature of the investment and client, including liquidity, size, investment period and asset class. Consequently, investment performance and the relevant fund manager's track record affect the amount of the assets under the Group's management and are key factors in retaining clients and competing for new asset management business. In the event of market downturn, poor investment performance could adversely affect the Group's revenue and business growth because:

- where applicable, existing clients may withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in a reduction of management fees for the Group;

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry where the Group faces increasing competition from insurance companies, trust companies, banks and other competitors;

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

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

Further, the Group's revenue and business growth of the asset management business may be adversely affected by events both within and beyond the Group's control including unforeseen business disruptions, macroeconomic and political risks and market risks. There can be no assurance that the Group would be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management, its business, financial condition, results of operations and prospects would be adversely affected.

The Group faces risks associated with the underwriting or placement of securities offerings.

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

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

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

Furthermore, the SFC published the "*Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers*" (Appendix I to the "*Fit and Proper Guidelines*") in October 2013 to enhance the regulatory regime of sponsors in Hong Kong, which will result in more stringent regulatory requirements and increased liability for IPO sponsors. There can be no assurance that there will not be even more stringent regulatory requirements in the future. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

To the extent its business model and practices are unfamiliar to regulatory authorities, the Group may encounter unexpected restrictions on its planned activities. If the Group is unable to achieve the intended results from the expansion of its range of products and services, it may encounter difficulties in the conception, planning and/or implementation of these strategies and methods, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

Revenue from the Group's sales and trading business depends significantly on trading volume. Trading volume is influenced by market conditions in Hong Kong, the PRC and principal overseas financial markets, which may be adversely affected by events including the European debt crisis, the potential withdrawal of countries from the Eurozone, the significant volatility in the PRC stock market, and market volatility arising from COVID-19 and its impact on the global economy. See "*– The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by macroeconomic and political risks.*" and "*– The occurrence of contagious diseases could affect the Group's business, financial condition or results of operations*". In addition, the Group's sales and trading business could also be adversely affected by a reduction in agency and brokerage commission rates as a result of increased competition in the Hong Kong securities and brokerage markets. Additionally, any planned expansion by the sales and trading business into other product areas such as innovative financial products may not be successful and the Group's position in this industry may be adversely affected. There can be no assurance that the Group's revenue derived from the sales and trading business can be sustained.

The Group's businesses are vulnerable to stock price volatility and illiquidity of securities and the Group may incur substantial loss

The Group provides margin financing to its clients. Margin financing is particularly vulnerable to stock price volatility and the illiquidity of those securities which are pledged as security for financial accommodations. In a volatile market, if the stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet their margin call, the Group is entitled to sell the relevant pledged securities and use the sale proceeds toward repayment of the financial accommodations. As proceeds from forced selling of pledged securities may not result in sufficient proceeds to cover the amount outstanding, failure of a client to make up for such a shortfall could adversely affect the Group's businesses and financial performance. The Group's businesses and financial performance may also be adversely affected if any borrower fails to repay the amount owed to the Group.

Clients entering into securities transactions are required to settle their transactions before the prescribed period of time. If a client fails to do so, the Group will be required to use its own funds to cover the shortfall. If the Group has insufficient funds to settle, its transactions with the Central Clearing and Settlement System (CCASS) and its clearing house participant status under the Hong Kong Securities Clearing Company Limited (HKSCC) may be suspended.

All futures exchanges prescribe the minimum margin deposit for the opening of each futures and option contract. Clients of the Group are required to maintain the minimum margin deposit with the Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, the Group may close out the futures and/or option contract. In the event that the client's margin deposit with the Group is unable to cover the loss arising from closing out of the futures and/or option contract, the Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

Although the transactions are monitored by the Group's risk management team, the existing risk control measures may not be sufficient to prevent a client's default in repayment or their failure to provide additional collateral in the case of a loss in value especially during times of volatility.

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

The Guarantor is currently not listed and is not subject to requirements to produce and maintain public information relating to its business or to publicly publish financial information or other information that would be required if it did have an equity listing in Hong Kong or elsewhere. Whilst requirements will be imposed on the Guarantor relating to disclosure of financial information, the disclosure of interests of shareholders and directors in shares and debentures and other information material to investors for issues of listed Notes under the Programme, these requirements are not as stringent as those which would apply to a primary or secondary equity listing. The Guarantor is also not subject to, and will not become subject to, by virtue of issuing listed Notes under the Programme, the requirements that apply to companies with a primary or secondary equity listing in Hong Kong or elsewhere, including corporate governance standards, restrictions on directors' dealings in securities, controls on connected party transactions, requirements for notification and, in some cases, approval of major acquisitions and disposals, conditions on further debt and equity issuance and certain other ongoing disclosure requirements. In addition, there is limited historical information available in relation to the Group's business. Accordingly, investors should exercise caution in reviewing the historical financial information presented to them and implying or extrapolating trends based thereon.

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

Financial Services Regulation

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

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

In addition, there is risk that new laws or regulations or changes in enforcement or interpretations of existing laws or regulations applicable to the Group's businesses or those of its clients could be imposed, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

Regulatory enquiries, investigations and proceedings

From time to time, market regulators (including the Hong Kong Securities and Futures Commission (the "**SFC**")) may conduct enquiries and investigations and require the Group's assistance in such enquiries and investigations. Depending on the facts and circumstances, a market regulator may or may not take further steps as a result of its enquiries and investigations (and whether such steps, if taken, would affect the Group's business operations and financial condition would be fact dependent). In Hong Kong, SFC enquiries and investigations are covered by statutory secrecy under the Securities and Futures Ordinance, so any disclosure of such enquiries and investigations would be very limited and be subject to the SFC's consent. As at the date of this Offering Circular, the Group is not the subject of any regulatory proceedings which could have a material and adverse effect on the Group's business, financial condition or results of operations.

Regulatory Requirements on Due Diligence

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

Regulatory Approval and Licensing

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

The Group may also have to respond to any material changes in legislation or regulation which could potentially affect its business by adapting its business model or products in the relevant market. There can be no assurance that the Group will be able to effectively respond to any such changes and this may affect the Group's operations and the conduct and success of its business in the relevant market. If the relevant market is a significant or important market to the Group, this may undermine the Group's expansion strategy and may have a material adverse effect upon the Group's business, results of operations and financial condition. Even if the Group could cope with such changes in legislation or regulations, this would invariably increase the compliance costs of the Group. The Group is also subject to the requirements and standards set out by the various professional industry bodies of which it is a member including the Asset Management Association of China（中國證券投資基金業協會）. Compliance with the requirements of such self regulating professional industry bodies may further increase the compliance costs of the Group.

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

Limitations on access to liquidity could adversely affect the ability to implement the Group's expansion plans

The Group derives the funds that it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The ability of the Group to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In recent years, global credit markets have tightened significantly with the failure or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. While the Group has not experienced any material difficulty in procuring funds, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase its funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all and its options for obtaining liquidity. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce its profitability and competitiveness, as well as adversely affect its business, financial condition and results of operations.

The Group may need additional capital in the future, and there can be no assurance that it would be able to obtain such capital on acceptable terms or at all.

Uncertainties in the economic and business environment in Hong Kong, the PRC, Japan, the United States, United Kingdom and globally may result in a deterioration of the Group's capital position in the case of a worsening macroeconomic climate. The Group may experience a deterioration of asset quality and decrease in market value of securities investments. If the Group's future operating income becomes insufficient to meet provisioning requirements, its capital will be eroded, and the Group may be required to obtain new capital. A requirement to increase significantly the level of the Group's provisions would adversely affect its financial condition, results of operations and capital position. In addition, in order for the Group to grow, remain competitive, enter new businesses or expand its base of operations, the Group may require new capital. There can be no assurance that the Group will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

The Group may be subject to claims of mis-selling.

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

There could be conflicts of interest arising out of the different roles played by the Guarantor and ICBC International Securities Limited and Industrial and Commercial Bank of China (Asia) Limited (as Arrangers and Dealers), and the Guarantor's other activities may affect the value of the Notes.

The Issuer of the Notes is a wholly-owned subsidiary of the Guarantor, which, in turn, is a wholly owned subsidiary of ICBC. ICBC International Securities Limited and Industrial and Commercial Bank of China (Asia) Limited have also been appointed as Arrangers and Dealers for the Programme. Any of the Guarantor, ICBC or their respective subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Guarantor on the one hand, and ICBC International Securities Limited and Industrial and Commercial Bank of China (Asia) Limited (each as Arranger and Dealer) on the other hand, in connection with the Notes and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Guarantor has internal control policies and procedures to minimise any potential conflict of interest, the Guarantor owes no duty to investors to avoid such conflicts.

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

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

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

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

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

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

However, as is the case with information technology systems generally, losses can result from inadequate or failed internal control processes and protection systems, human error, fraud or external events that interrupt normal business operations. This may result in a loss of data, a failure to provide quality service to customers and could, in limited instances, cause incorrect trades to be executed. The Group's information technology, databases and other systems may be subject to damage or interruption from earthquakes, volcanic eruptions, floods, fires, power loss, telecommunication failures and similar events as well as to damage from the introduction to its systems of incorrect programming language and configuration by its employees, system providers and contractors. These systems may also be subject to computer viruses, physical or electronic break-ins, threats, sabotage, vandalism and similar misconduct. The same is true of third party service providers and software providers on which the Group depend.

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

In addition, the Group has developed an advanced eTrading platform for its clients in relation to certain services such as securities eTrading and account opening. Usage of the Group's eTrading services may be adversely affected for a number of reasons, such as unavailability of high-speed access to the internet and telecommunication services. To the extent that the Group's eTrading activities involve the storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage the Group's reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses, threats and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Group's financial condition and results of operations. Concerns regarding security risks may deter the Group's existing and potential clients from using its eTrading services. Eliminating computer viruses, threats and alleviating other security problems may result in interruptions, delays or termination of service to users accessing the Group's eTrading services. The Group's inability to sustain a high volume of traffic may materially and adversely affect the success and effectiveness of the Group's eTrading platform. Although the Group believes it has well defined measures and procedures in place to mitigate security risks, there can be no assurance that it will not suffer material losses from security risks in the future.

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

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

The occurrence of contagious diseases (including COVID-19) could affect the Group's business, financial condition or results of operations

The outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on the financial condition and results of operations of the Group.

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza" among birds and in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. To date, there have been a large number of confirmed cases of influenza A/H1N1 globally. Since 2012, an outbreak of the Middle East Respiratory Syndrome corona virus ("**MERS**") has affected several countries, primarily in the Middle East. Concerns about the spread of the H7N9 strain of flu (Avian Flu) in the PRC and outbreaks of the H1N1 virus (Swine Flu) in North America, Europe and Asia in the past have caused governments to take measures to prevent spread of the virus. The outbreak of communicable diseases such as the ones listed above on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect PRC and other economies.

Since December 2019, there has also been an outbreak of COVID-19 in the PRC, Hong Kong and around the world. The World Health Organisation has declared the outbreak as a pandemic on 11 March 2020. At the early stages of the COVID-19, stringent measures, including mandatory quarantines and travel restrictions, were imposed in many countries around the world, including the PRC, in an effort to contain the outbreak, causing prolonged closures of workplaces and a noticeable reduction in regional and national economic activities. Government restrictions imposed around the world to limit the spread of COVID-19 resulted in a sharp contraction in global economic activity during 2020 and 2021. At the same time, governments also took steps designed to soften the extent of the damage to investment, trade and labour markets. Economic activity recovered unevenly in the second half of 2020 as some jurisdictions imposed renewed restrictions in the fourth quarter in response to a resurgence in COVID-19 cases. While a number of vaccine candidates have announced high efficacy rates, raising hopes of widespread immunisation from COVID-19 being achieved by the end of 2021 and government restrictions being eased, the rollout of vaccination programmes could be uneven across markets, hampering the global pace of recovery even as individual markets return to pre-pandemic levels of activity. The effect of the vaccination programmes on the COVID-19 pandemic remains uncertain, and many countries, including India, are experiencing another wave of the COVID-19 pandemic, and in some cases new variants of COVID-19 could be more contagious. The outbreak of COVID-19 has also caused, and may in the future continue to cause, interruptions to the Group's business operations as a result of the heightened measures in quarantines and restrictions on travel imposed by the governments in different parts of the world. The Group is also similarly affected by these policies, and has had to tighten its business contingency plans addressing all possible scenarios in order to ensure that critical business activities and service level to clients can be carried out and adhered to in the event of an outbreak in the proximity of the Group's business operating premises. The Group is monitoring the ongoing outbreak of COVID-19 carefully as it evolves to understand the potential impact on its people and businesses.

In addition, for example, past occurrences of epidemics such as SARS have caused different degrees of damage to the national and local economies in the PRC. There can be no assurance that there will not be a serious outbreak or recurrence of an outbreak of influenza A/H1N1, MERS, COVID-19 or another contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

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

The Group's business is subject to general, social and political conditions. The Group's business would be adversely affected by any unexpected events, including but not limited to riots, fire, power disruptions, strikes, civil or social disruption, outages, natural disasters, terrorist activities, equipment or system failures, industrial action and environmental issues, which increase the cost of doing business or otherwise adversely affect the Group's operations or those of its customers or suppliers.

Natural disasters, epidemics, pandemics, health emergencies (or concerns over the possibility of one) acts of God and other disasters that are beyond the Group's control may materially and adversely affect the economy and infrastructure. The Group's business, financial condition and operating results may be materially and adversely affected as a result.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as their living and consumption patterns. The occurrence of an epidemic is beyond the Group's control, and there is no assurance that another outbreak of severe acute respiratory syndrome, H1N1 swine influenza, Ebola virus disease, Middle East respiratory syndrome, Zika virus disease or COVID-19 will not happen. There is no assurance that an outbreak of this or any other disease will not become an epidemic or pandemic. Any epidemic or pandemic occurring in Hong Kong or the PRC may materially and adversely affect the business, financial condition and operating results of the Group.

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

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

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Hong Kong, the PRC, British Virgin Islands and any other jurisdictions in which it operates. These laws and regulations require the Group, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Group has adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group may fail to comply fully with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group, which may adversely affect its business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group is subject to legal and compliance risks.

Legal risks arise from a variety of sources with the potential to cause harm to the Group and its ability to operate. These issues require the Group to deal appropriately with potential conflicts of interest; legal and regulatory requirements; ethical issues; anti-money laundering laws or regulations; privacy laws; information security policies; sales and trading practices; and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Group, with an increase in the number of litigation claims and the amount of damages asserted against the Group, or subject the Group to regulatory enforcement actions, fines, or penalties or reputational damage.

Potential claims and liabilities in relation to information retrieved from the Group's website.

As the Group's website may involve the displaying of or hyperlinking to information from other websites, there is a risk that claims may be made against the Group for defamation, negligence, copyright or trademark infringement or other claims related to the nature and content of such materials.

The Group has published disclaimers in prominent areas to discharge its liability arising from content provided by third parties. No claims were ever made against the Group for defamation, negligence, copyright or trademark infringement or other claims related to the nature and content of such materials during the years ended 31 December 2018, 2019 and 2020. However, legal action may still be taken against the Group in respect of any such liability. Any imposition of liability could have a material and adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions, as well as government policies, could affect the Group's results of operation, financial condition and prospects.

The Group's business, financial operation, results of operations, and prospects will be subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to its political structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been in transition from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy.

However, the PRC government retains the power to implement macroeconomic policies affecting the PRC economy, and has previously implemented measures to slow the pace of growth of the PRC economy, including raising interest rates and issuing administrative guidelines to control lending to certain industries. Additionally, the risk remains that the global economy, including the PRC economy, may suffer a recession and the PRC government may have to readjust its macroeconomic control measures accordingly, causing the growth or demand for the Group's products to slow down and adversely impacting the Group's, business, financial condition and results of operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

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

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE OF THE NOTES

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

The Issuer will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

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

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

The ratings of the Notes may be downgraded or withdrawn.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuer and, the Guarantor to perform their respective obligations under the Notes and the Guarantee of the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

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

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

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

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

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

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

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

The Issuer may be unable to redeem the Notes.

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

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

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

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

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

The 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, any applicable supplement to this Offering Circular or any Pricing 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.

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes.

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

Modifications and waivers.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

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

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

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

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

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**").

Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held with the CMU in accordance with the CMU Rules at the relevant time. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes and the Global Certificates.

Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

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

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

Definitive Notes will only be issued (i) upon expiry of such period of notice as may be specified in the relevant Pricing Supplement; or (ii) upon demand at any time as specified in the relevant Pricing Supplement; or (iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then upon either of the following events occurs: (a) if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (b) any of the circumstances described in Condition 14 (*Events of Default*) of the Terms and Conditions of the Notes occurs. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

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

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

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

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

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

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

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

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

RISKS RELATING TO A PARTICULAR ISSUE OF NOTES

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

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

The Notes may be redeemed at the option of the Issuer pursuant to Condition 10(b) and Condition 10(c) of the Terms and Conditions of the Notes. An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

(ii) they may receive no interest;

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

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

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

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

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

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

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

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

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

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

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

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

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

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

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

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks 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 Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited ("**IBA**"), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the "**IBA announcement**"). Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the "**FCA announcement**"). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and US Dollar LIBOR settings and immediately after 30 June 2023 for certain other USD LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling, US Dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of US Dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the

Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the USD LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an Adjustment Spread (as defined in the Terms and Conditions of the Notes). Adjustment Spread is (i) the spread or a formula or methodology for calculating a spread which is formally recommended in relation to the replacement of the Reference Rate (as defined in the Terms and Conditions of the Notes) with the Successor Rate by any Relevant Nominating Body (as defined in the Terms and Conditions of the Notes); (ii) if no such recommendation has been made or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser (as defined in the Terms and Conditions of the Notes) (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or (iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the spread, formula or methodology which the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this limb (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders. There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Reference Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Terms and Conditions of the Notes) to determine the Successor Rate or Alternative Reference Rate (as applicable) no later than five Business Days (as defined in the Terms and Conditions of the Notes) prior to the relevant Interest Determination Date (the "**IA Determination Cut-off Date**"), but in the event that the Issuer (acting in reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable) prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of 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 Reference Rates, any determinations that may need to be made by the Issuer and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. 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 consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 7(d) of the Conditions). In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

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

Investors should be aware that the market continues to develop in relation to SOFR and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

RISKS RELATING TO THE MARKET GENERALLY

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

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

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

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

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

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

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

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

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.

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

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

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

Although the PBOC has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC Government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

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

The Renminbi Clearing Banks 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 Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer 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.

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

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

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

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

USE OF PROCEEDS

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

TERMS AND CONDITIONS OF THE NOTES

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

1. Introduction

(a) *Programme*: Horse Gallop Finance Limited (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to US$4,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by ICBC International Holdings Limited (the "**Guarantor**").

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

(c) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 15 July 2021, as amended and/or supplemented from time to time (the "**Agency Agreement**") between the Issuer, the Guarantor and Industrial and Commercial Bank of China (Asia) Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "Agent" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such reference shall be construed accordingly.

(d) *Deed of Guarantee*: The Notes are the subject of a deed of guarantee dated 15 July 2021 (such deed of guarantee, as modified and/or supplemented and/or restated from time to time, the "**Deed of Guarantee**") entered into by the Guarantor.

(e) *Deed of Covenant*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 15 July 2021 (such deed of covenant, as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") entered into by the Issuer.

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

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

2. Interpretation

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

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

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

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

"**Adjustment Spread**" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) 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 Reference Rate with the Successor Rate by any Relevant Nominating Body; or

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

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark):

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

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

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

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

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

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

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

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Guarantor Material Subsidiary**" means a Subsidiary of the Guarantor whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Guarantor as at such date or for such period. If a Guarantor Material Subsidiary transfers all of its assets and business to another Subsidiary of the Guarantor, the transferee shall become a Guarantor Material Subsidiary and the transferor shall cease to be a Guarantor Material Subsidiary on completion of such transfer.

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

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

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

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

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

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

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

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

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

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

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or (if specified in relevant Pricing Supplement) the 2021 Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time or any successor definitional booklet for interest rate derivatives published from time to time;

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

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

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

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

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

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

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

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

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

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

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

"**Payment Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Reference Price**” has the meaning given in the relevant Pricing Supplement; “Reference Rate” has the meaning given in the relevant Pricing Supplement; “Regular Period” means:

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

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

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

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

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

"**Relevant Indebtedness**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) any notes, bonds, debentures, debenture stock, loan stock or other similar securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) any guarantee or indemnity of any such indebtedness, and shall not, in each case, include any Structured Product which is not issued for capital raising purposes;

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

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

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

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

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

"**Reserved Matter**" means any proposal: (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate formed or to be formed; (c) to change the currency in which amounts due in respect of the Notes are payable; (d) to modify any provision of the Guarantee of the Notes; (e) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or (f) to amend this definition;

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

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

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

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

"**Structured Product**" means:

(a) an instrument under which some or all of the return or amount due (or both the return and the amount due) or the method of settlement is determined by reference to one or more of:

   (i) changes in the price, value or level (or a range within the price, value or level) of any type or combination of types of securities, commodity, index, property, interest rate, currency exchange rate or futures contract;

   (ii) changes in the price, value or level (or a range within the price, value or level) of any basket of more than one type, or any combination of types, of securities, commodity, index, property, interest rate, currency exchange rate or futures contract; or

   (iii) the occurrence or non-occurrence of any specified event or events (excluding an event or events relating only to the issuer or guarantor of the instrument or to both the issuer and the guarantor);

(b) a regulated investment agreement; or

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

but does not include:

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

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

(c) a collective investment scheme;

(d) a depositary receipt;

(e) a debenture that would come within subparagraph (1)(a) only because it has a variable interest rate that is reset periodically to equate to a money market or interbank reference interest rate that is widely quoted (whether or not subject to a predetermined maximum or minimum rate) plus or minus a specified rate (if any);

(f) a product under which some or all of the return or amount due (or both the return and the amount due) or the method of settlement is determined by reference to securities of a corporation, or of a related corporation of the corporation, and that is issued by the corporation only to a person who is:

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

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

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

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

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

(h) an instrument issued in relation to:

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

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

(i) a contract of insurance in relation to any class of insurance business specified in Schedule 1 to the Insurance Ordinance (Cap. 41) of Hong Kong; or

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

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

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

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

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

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

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

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

(b) *Interpretation*: In these Conditions:

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

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

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

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

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

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

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

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

3. Form, Denomination, Title and Transfer

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

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

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

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

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

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

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

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

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

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

4. Status and Guarantee

(a) *Status of the Notes*: The Notes constitute senior, direct, general, unsubordinated, (subject to Condition 5(a)) unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Status of the Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes senior, direct, general, unsubordinated, (subject to Condition 5(a)) unsecured and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future 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.

5. Covenants

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

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

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

(b) *Limitation on the Issuer*: So long as any Note remains outstanding, the Issuer undertakes not to, and the Guarantor undertakes to use all its reasonable endeavours to procure that the Issuer will not, conduct any business or any activities other than the issue of any Notes under the Programme, the lending of the proceeds of the issue of such Notes under this Programme to the Guarantor and/or any of its Subsidiaries and any other activities reasonably incidental thereto as necessary in connection therewith.

(c) *Reporting Covenants*: Where the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)）issued by the NDRC and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota available to Industrial and Commercial Bank of China Limited or the Guarantor (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Issuer and the Guarantor undertakes to cause Industrial and Commercial Bank of China Limited to file with the NDRC the requisite information and documents within the prescribed time period after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Information Report**").

For the purposes of this Condition, "**PRC Business Day**" means a day on which commercial banks are open for business in the PRC.

6. Fixed Rate Note Provisions

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

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

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

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

7. Floating Rate Note and Index-Linked Interest Note Provisions

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

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

(c) *Screen Rate Determination for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark):* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

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

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

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

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

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

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

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

(d) *Screen Rate Determination for Notes where the Reference Rate is specified as being SOFR Benchmark:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest(s) is/are to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 7(g) (*Benchmark Replacement (SOFR Benchmark)*)):

(i) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Period.

(ii) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

1. SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-xUSBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Period;

"**d_o**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_{i\text{-}xUSBD}$ applies.

2. SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"$\mathbf{d_o}$" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

3. SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**Interest Payment Date**" shall be the date falling the number of Interest Payment Delay Days following each Specified Interest Period Date (as specified in the relevant Pricing Supplement); provided that the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**d**" means the number of calendar days in the relevant Interest Period;

"$\mathbf{d_o}$" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

4. SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day "i" in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Period;

"$\mathbf{d_o}$" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

The following defined terms shall have the meanings set out below for purpose of this Condition 7(d) and Condition 7(g) (*Benchmark Replacement (SOFR Benchmark)*):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(g) (*Benchmark Replacement (SOFR Benchmark)*) shall apply;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

(iii) If SOFR Index Average ("**SOFR Index Average**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time, *provided that* if such SOFR Index value is not available and:

(i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**SOFR Index Average**" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded SOFR Average formula described above in Condition 7(d)(ii)(2) (*SOFR Observation Shift*); or

(ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(g) (*Benchmark Replacement (SOFR Benchmark)*) shall apply;

"**SOFR Index**$_{\mathbf{End}}$" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the last day of such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index$_{\mathbf{Start}}$**" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day; and

"**$\mathbf{d_c}$**" means the number of calendar days from (and including) the day in relation to which SOFR Index$_{Start}$ is determined to (but excluding) the day in relation to which SOFR Index$_{End}$ is determined (being the number of calendar days in the applicable reference period).

The following defined terms shall have the meanings set out below for purpose of this Condition 7(d):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Rate Cut-Off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

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

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

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

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

(f) *Benchmark Replacement for Notes (other than Notes where the Reference Rate is specified as being SOFR Benchmark)*: In addition, notwithstanding the provisions above in Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

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

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

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

(iv) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(f). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

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

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

(g) *Benchmark Replacement (SOFR Benchmark):* The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(i) *Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 7(g). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 7(g), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The following defined terms shall have the meanings set out below for purpose of Conditions 7(d) (*Screen Rate Determination for Notes where the Reference Rate is specified as being SOFR Benchmark*) and this Condition 7(g):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

   (1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

   (2) the Benchmark Replacement Adjustment;

(ii) the sum of:

   (1) the ISDA Fallback Rate; and

   (2) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(1) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Notes at such time; and

(2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Index Average is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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

(i) *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.

(j) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The

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

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

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

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

8. Zero Coupon Note Provisions

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

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

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant

Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

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

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

10. Redemption and Purchase

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

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

(i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

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

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

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

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

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

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

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

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

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

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

(e) *Redemption for Change of Control*: If the CoC Put Option is specified in the relevant Pricing Supplement as being applicable, at any time following the occurrence of a Change of Control, the Issuer shall, at the option of the holder of any Note (the "**CoC Put Option**") redeem such Note on the Put Settlement Date at a price equal to the Early Redemption Amount (Change of Control) together with interest accrued to such date. In order to exercise the CoC Put Option, the holder of a Note must, within 30 days (i) following a Change of

Control or (ii) following (if later) the day upon which the Issuer gives such relevant notice to Noteholders in accordance with Condition 20 (*Notices*), deposit, in the case of Bearer Notes, the Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, or, in the case of Registered Notes, the Note Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed and signed notice of redemption (a "**Put Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

No Note or Note Certificate, once deposited with a duly completed Put Exercise Notice in accordance with this Condition 10(e), may be withdrawn; provided, however, that if, prior to the Put Settlement Date, the Notes evidenced by any Note or Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Note Certificate on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note or Note Certificate shall, without prejudice to the exercise of the CoC Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant Put Exercise Notice.

Following the occurrence of a Change of Control, the Issuer shall give notice to Noteholders in accordance with Condition 20 (*Notices*) by not later than seven days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Noteholders of their rights to require redemption of the Notes pursuant to this Condition 10(e).

For the purposes of this Condition 10(e):

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

(i) the Controlling Persons cease to, directly or indirectly, own or control 51 per cent. of the voting rights of the issued share capital of each of the Issuer or the Guarantor; or

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

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

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

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

(f) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant

Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

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

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

(i) the Reference Price; and

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

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

(i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 18 (*Meetings of Noteholders; Modification and Waiver*).

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

11. Payments – Bearer Notes

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

(a) *Principal:* In relation to Bearer Notes not held in the CMU, payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest:* In relation to Bearer Notes not held in the CMU, payments of interest shall, subject to paragraph (h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

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

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

(d) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

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

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

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

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

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

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

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

(g) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 11(g) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption for Change of Control*), Condition 10(f) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

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

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

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

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

12. Payments – Registered Notes

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

(a) *Principal:* In relation to Registered Notes not held in the CMU, payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* In relation to Registered Notes not held in the CMU, payments of interest shall by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

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

Each payment made in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant Clearing System) on the Clearing System Business Day before the due date for such payment (the Record Date) where "Clearing System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Payments of principal and interest in respect of Registered Notes represented by a Global Note Certificate held through CMU will be made to the person(s) for whose account(s) interests in the relevant Global Note Certificate are credited as being held within the CMU in accordance with the CMU Rules at the relevant time.

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

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

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

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

13. Taxation

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

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

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

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

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

14. Events of Default

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

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

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

(c) *Cross-default*:

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

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

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries shall fail to honour when due and called upon any guarantee and/or indemnity of any Indebtedness for Borrowed Money,

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

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

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

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

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

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or as the case may be, the Guarantor, lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Notes, the Deed of Covenant and the Deed of Guarantee admissible in evidence in the courts of England is not taken, fulfilled or done; or

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

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

(k) *Analogous events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 14(d) (*Insolvency*) to 14(g) (*Enforcement Proceedings*) (both inclusive),

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

15. Prescription

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

16. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. Agents

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

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

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

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

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

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

18. Meetings of Noteholders; Modification and Waiver

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

In addition, the Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three quarters of the votes cast on such resolution, (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holder of not less than 75 per cent. of the aggregate principal amount of the Notes for the time being outstanding, or (iii) a resolution in writing signed by or on behalf of not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification, waiver and authorisation:* Notwithstanding Condition 18(a) (*Meetings of Noteholders*) above, the Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may without the consent of the Noteholders or the Couponholders, agree to (i) any modification of any provision of the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Agency Agreement that is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. Further Issues

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

20. Notices

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

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

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear, Clearstream, CMU, or any other clearing system, 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 and such notice shall be deemed to have been given to the Noteholders on the date of delivery to that clearing system.

21. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

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

22. Rounding

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

23. Governing Law and Jurisdiction

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

(b) *Submission to jurisdiction*

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

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

(iii) To the extent allowed by law, the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(c) *Appointment of process agent*: Each of the Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of immunity*: Each of the Issuer and the Guarantor irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

FORM OF PRICING SUPPLEMENT

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][2]

[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 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: (1) the target market for the Notes is only eligible

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

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

counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 60/2014 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/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."]

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

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

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

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

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

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

Pricing Supplement dated [•]

HORSE GALLOP FINANCE LIMITED

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the US$4,000,000,000 Medium Term Note Programme

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 15 July 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 15 July 2021 [and the supplemental Offering Circular dated [*date*]].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.]

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

1.	Issuer:	Horse Gallop Finance Limited
2.	Issuer Legal Entity Identifier:	5493005LA8SD8BDUW128
3.	Guarantor:	ICBC International Holdings Limited
4.	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
	[(iii) Date on which the Notes become fungible:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [25] below, which is expected to occur on or about [*date*]]/[Not Applicable]]
5.	Specified Currency or Currencies:	[•]
6.	Aggregate Nominal Amount:	[•]
	(i) Series:	[•]
	(ii) Tranche:	[•]

7.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
8.	(i) Specified Denominations[4] [5]:	[•]
	(ii) Calculation Amount (in relation to calculation of interest in global form see Conditions):	[•] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
9.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
10.	Maturity Date:	[*Specify date or (for Floating Rate Notes)* – Interest Payment Date falling in or nearest to [*specify month and year*]][6]
11.	Interest Basis:	[[•] per cent. Fixed Rate] [[*Specify reference rate*] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [Other (*Specify*)] (further particulars specified below)
12.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [Other (*Specify*)]

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

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

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

13.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*][Not Applicable]
14.	Put/Call Options:	[Investor Put] [Issuer Call] [CoC Put Option] [(further particulars specified below)] [Not Applicable]
15.	Listing:	[Hong Kong/Other (*specify*)/None] (For Notes to be listed on the [Hong Kong Stock Exchange], insert the expected effective listing date of the Notes)
16.	(i) Status of the Notes:	[Senior]
	(ii) Status of the Guarantee:	[Senior]
	(iii) Date of regulatory approval for issuance of Notes obtained:	[Pre-Issuance NDRC Registration Certificate dated [•]/name and date of the NDRC Quota (in respect of the foreign debt issuance quota granted by NDRC in favour of Industrial and Commercial Bank of China Limited)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear on each Interest Payment Date][7]
	(ii) Interest Payment Date(s):	[[•] in each year up to and including the Maturity Date]/[*Specify other*] (*Amend appropriately in the case of irregular coupons*)

7 Note that for certain Renminbi or Hong Kong dollar 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, other than a Saturday or a Sunday 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 [•]."

	(iii) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[•] per Calculation Amount[8]
	(iv) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]][Not Applicable]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*specify other*]
	(vi) [Determination Date(s):	[[•] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
18.	**Floating Rate Note Provisions:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable] [Each period beginning on (and including) [the Interest Commencement Date/[•]] or any Specified Interest Period Date and ending on (but excluding) the next Specified Interest Period Date, subject to adjustment in accordance with the Business Day Convention set out in (v) below, and "Specified Interest Period Date" means [[•], [•], [•] and [•]] in each year up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out in (v) below] (*Only applicable in the case of SOFR Payment Delay where Interest Period Date is required*)

8 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards".

(ii)	Specified Period:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(iii)	Specified Interest Payment Dates:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*) [The definition of "Interest Payment Date" in Condition [•] applies.] *(Only applicable in the case of SOFR Payment Delay)*
(iv)	[First Interest Payment Date]:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)][Not Applicable]
(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]
(vii)	Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[•] month [LIBOR/EURIBOR/*specify other Reference Rate*] *(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement.)*

•	Interest Determination Date(s):	[•] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
•	Relevant Screen Page:	[•] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
•	Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
•	Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)*]

(x) Screen Rate Determination (SOFR)

•	Reference Rate:	SOFR Benchmark – [Simple SOFR Average/ Compounded SOFR Average/SOFR Index Average]
•	Compounded SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
•	Interest Determination Date(s):	[The [•] U.S. Government Securities Business Day prior to the last day of each Interest Period – *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Index Average*] [The Specified Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – *only applicable in the case of SOFR Payment Delay*]
•	Lookback Days:	[[•] U.S. Government Securities Business Days – *used for SOFR Observation Lag only*]/[Not Applicable]

- SOFR Observation Shift Days: [[•] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Index Average only*]/[Not Applicable]

- SOFR Rate Cut-Off Date: [The date falling [•] Business Days prior to the end of each Interest Period, the Maturity Date or the date fixed for redemption, as applicable-*used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]

- Interest Payment Delay Days: [•] Business Days – *used for SOFR Payment Delay only*/[Not Applicable]

- SOFR $Index_{Start}$: [Not Applicable]/[[•] U.S. Government Securities Business Days – *used for SOFR Index Average only*]

- SOFR $Index_{End}$: [Not Applicable]/[[•] U.S. Government Securities Business Days – *used for SOFR Index Average only*]

(xi) ISDA Determination:

- Floating Rate Option: [•]

- Designated Maturity: [•]

- Reset Date: [•]

  (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

  (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions or the 2021 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)

- ISDA Definitions: [2006/2021]

(xii) Margin(s): [+/-][•] per cent. per annum

(xiii) Minimum Rate of Interest: [•] per cent. per annum

(xiv) Maximum Rate of Interest: [•] per cent. per annum

(xv)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360][Eurobond Basis] [30E/360 (ISDA)] [*Other*]
(xvi)	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:	[Benchmark Event/Benchmark Event (SOFR)/ specify if fallback provisions different from those set out in the Conditions]

19. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Accrual Yield:	[•] per cent. per annum
(ii)	Reference Price:	[•]
(iii)	Any other formula/basis of determining amount payable:	[•]
(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365 (Fixed)]

20. **Index-Linked Interest Note/other variable-linked interest Note Provisions:** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i)	Index/Formula/other variable:	[*give or annex details*]
(ii)	Calculation Agent:	[*give name*]
(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[•]
(iv)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(v)	Interest Determination Date(s):	[•]

	(vi)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vii)	Interest or calculation period(s):	[•]
	(viii)	Specified Period:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (x) below/, not subject to any adjustment, as the Business Day Convention in (x) below is specified to be Not Applicable] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(ix)	Specified Interest Payment Dates:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (x) below/, not subject to any adjustment, as the Business Day Convention in (x) below is specified to be Not Applicable] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(x)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(xi)	Additional Business Centre(s):	[•]
	(xii)	Minimum Rate/Amount of Interest:	[•] per cent. per annum
	(xiii)	Maximum Rate/Amount of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[•]
21.	**Dual Currency Note Provisions:**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]

(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

PROVISIONS RELATING TO REDEMPTION

22.	**Call Option:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date (Call):	[•]
(ii)	Optional Redemption Amount (Call) of each Note and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/[Spens Amount/ Make-whole Amount/] *specify other*/see Appendix]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount	[•] per Calculation Amount
(iv)	Notice period:	[•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 Clearing System Business Days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the relevant Paying Agents.)*
23.	**Put Option:**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Optional Redemption Date (Put):	[•]
(ii)	Optional Redemption Amount (Put) of each Note and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/*specify other*/see Appendix]

	(iii)	Notice period:	[•]
			(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing system (which require a minimum of 15 Clearing System Business Days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Relevant Paying Agents.)
24.	**CoC Put Option:**		[Applicable/Not Applicable]
	(i)	Early Redemption Amount (Change of Control):	[•]
25.	**Final Redemption Amount of each Note:**		[[•] per Calculation Amount/*specify other*/see Appendix]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		
	(i)	Index/Formula/variable:	[*give or annex details*]
	(ii)	Party responsible for calculating the Final Redemption Amount:	[•]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[•]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi)	[Payment Date]:	[•]
	(vii)	Minimum Final Redemption Amount:	[•] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[•] per Calculation Amount

26.	**Early Redemption Amount**	[•][Not Applicable]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	(*If each of the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	**Form of Notes:**	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice][9] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note][10] **Registered Notes:** [Global Note Certificate exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Note Certificate]
28.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*.] *(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(vi) and 18(x) relate)*
29.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

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

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

30.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
31.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
32.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
33.	Consolidation provisions:	The provisions in Condition 19 (*Further Issues*) [annexed to this Pricing Supplement] apply
34.	Any applicable currency disruption/fallback provisions:	[Not Applicable/*give details*]
35.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

36.	(i) Method of distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name/Any of the Managers appointed and acting in the capacity as a Stabilisation Manager*]
37.	If non-syndicated, name and address of relevant Dealer:	[Not Applicable/*give name and address*]
38.	US Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) – [TEFRA C/ TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) – Not Applicable
39.	Additional selling restrictions:	[Not Applicable/*give details*]
40.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a KID will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

41.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a KID will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

OPERATIONAL INFORMATION

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

GENERAL

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

[USE OF PROCEEDS

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

[STABILISATION

In connection with this issue, [insert name of Stabilisation Manager/any of the Managers appointed and acting in the capacity as a Stabilisation Manager] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the US$4,000,000,000 Medium Term Note Programme.

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][11] has been no significant change in the financial or trading position of the Issuer or of the Guarantor since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor since [insert date of last published annual accounts].]

RESPONSIBILITY

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

Signed on behalf of Horse Gallop Finance Limited:

By: ____________________________
Duly authorised

Signed on behalf of ICBC International Holdings Limited:

By: ____________________________
Duly authorised

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

FORM OF THE NOTES

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

Bearer Notes

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

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

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

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 holders for whose account(s) interest(s) in such Notes are credited as being held with the CMU or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU have so certified.

If:

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

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

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

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

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

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

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

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

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

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

If:

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

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

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

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

Temporary Global Note exchangeable for Definitive Notes

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

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

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

If:

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

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

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

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

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

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

If:

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

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

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

Rights under Deed of Covenant

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

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

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

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

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

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

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

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

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

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

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

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

If:

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

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

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

Terms and Conditions applicable to the Notes

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

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

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together as "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to financial institutions regulated by Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

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

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

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

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held with the CMU in accordance with the CMU Rules at the relevant time shall be the only person(s) 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 for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Conditions Applicable to Global Notes

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

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

Notes are evidenced by a Global Note or Global Certificate, interest shall be payable on (and calculated by reference to) the outstanding principal amount of the Notes evidenced by the relevant Global Note or Global Certificate.

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

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

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

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

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

CAPITALISATION AND INDEBTEDNESS

As at 31 December 2020, the issued share capital of the Guarantor was HK$4,881,850,806 consisting of 4,839,302,500 ordinary shares.

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

	As at 31 December 2020
	HK$'000
Bank loans[1]:	
Within 1 year	17,956,562
After 1 year but within 2 years	4,287,663
After 2 years but within 5 years	5,220,802
	27,465,027
Medium-term notes and fixed rate notes payable[2]:	
Medium-term notes payable	16,259,693
	16,259,693
TOTAL BORROWINGS	**43,724,720**
Share capital	4,881,851
Retained profits	7,928,475
Reserves	(57,220)
Total equity attributable to equity shareholders of the Company	**12,753,106**
Non-controlling interests	68,138
TOTAL EQUITY	**12,821,244**
TOTAL CAPITALISATION[3]	**56,545,964**

Save as disclosed below, there has been no material adverse change in the Guarantor's capitalisation and indebtedness since 31 December 2020.

(1) As at the date of this Offering Circular, the Guarantor has incurred additional bank loans to repay the medium-term notes issued on 28 June 2018 with a principal amount of US$700 million which matured on 28 June 2021.

(2) As at 31 December 2020, medium-term notes and fixed rate notes payable represent, the floating rate medium-term notes issued on 28 June 2018 with a principal amount of US$700 million repayable on 28 June 2021, the medium-term notes issued on 30 May 2019 with a principal amount of US$700 million repayable on 30 May 2022 and the medium-term notes issued on 28 July 2020 with a principal amount of US$700 million repayable on 28 July 2025. As at the date of this Offering Circular, medium-term notes payable has decreased due to the maturity of medium-term notes issued on 28 June 2018 with a principal amount of US$700 million, which matured on 28 June 2021.

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

DESCRIPTION OF THE ISSUER

The Issuer, incorporated in the British Virgin Islands on 16 March 2018 with company number 1973352, is a wholly-owned subsidiary of Full Flourish (BVI) Limited and is an indirect wholly-owned subsidiary of the Guarantor. The Issuer was established for the sole purpose of issuing Notes under the Programme. The registered office of the Issuer is at the offices of Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

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

The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the British Virgin Islands.

As at the date of this Offering Circular, the Issuer has no subsidiaries and the directors of the Issuer are Lai Wan Leung and Ha Leung Man. The business address of the directors of the Issuer is at 37/F, ICBC Tower, 3 Garden Road, Hong Kong.

As at the date of this Offering Circular, there are no potential conflicts of interest between any duties of the directors of the Issuer and their private interests and/or other duties.

DESCRIPTION OF THE GROUP

Overview

The Guarantor is a wholly-owned subsidiary of the ICBC Group, which is one of the most profitable banks and one of the largest banks in terms of asset scale and capital scale globally. As at 31 December 2020, ICBC's largest shareholders are (i) Central Huijin Investment Ltd., which held approximately 34.71 per cent. of the outstanding shares of ICBC, and (ii) the Ministry of Finance of the PRC, which held approximately 31.41 per cent. of the outstanding shares of ICBC.[*]

The Group provides high quality and comprehensive financial services and products, including corporate finance, sales and trading, investing and asset management. The Group also provides research services that cover Chinese and global macroeconomies, international financial markets and major industries.

Leveraging on the abundant client and financial resources of its parent, the Group complements the commercial banking operations of the ICBC Group. The Group aims to become a leading licensed institution in Asia and a leader in the "going abroad" of Chinese enterprises and "going in" of international capital in response to the national development strategy of China.

The Group is based mainly in Hong Kong and mainland China and its headquarters is located in Hong Kong. As of the date of this Offering Circular, the Group primarily carries out its regulated activities through its licensed subsidiaries. As at 31 December 2020, the Group had around 500 employees.

For the year ended 31 December 2020, the Group's total income[**] was HK$6,034.9 million and net profit was HK$1,931.8 million, compared to HK$5,323.4 million and HK$1,550.6 million for the year ended 31 December 2019, representing an increase of 13.4 per cent. and 24.6 per cent., respectively.

The Group is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained the following licences from the Hong Kong Securities and Futures Commission ("**SFC**"): Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

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

- *Corporate Finance*: engaging in various SFC regulated activities and providing all-round services in equity capital markets ("**ECM**") (including but not limited to initial public offerings ("**IPO**") sponsor services), debt capital markets ("**DCM**"), merger and acquisition ("**M&A**") transactions and financial advisory services on funding activities, reorganisations and restructurings and listing rules compliance. The Group also provides other general financial advisory services.

- *Sales and Trading*: providing general brokerage, sales and agency trading services (for both the primary and secondary markets) on a wide variety of shares and bonds, Shenzhen-Hong Kong Stock Connect trades, Shanghai-Hong Kong Stock Connect trades, futures, options and other derivatives, bond market making[***] and providing margin finance services to clients.

- *Investing*: engaging in principal investing and lending activities across capital structure including equity, debt and hybrid products. In addition to making investments and providing bespoke financing in the private sectors, the Group also engages in making investments in publicly traded securities.

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* The information in relation to the shareholders of ICBC is extracted from the 2020 annual report of ICBC published on 26 March 2021.

** The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

*** This is carried out by a British Virgin Islands incorporated subsidiary of the Group.

- *Asset Management*: providing comprehensive asset management services for clients and offering a range of products and strategies to cover different asset classes, markets and industries. This includes both the launch of new investment funds to meet client needs and the management of existing investment funds.

History and Milestones of the Group

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

1973	Panin International Finance Corporation Limited was established.
1985	Panin International Finance Corporation Limited changed its name to Xiamen International Finance Company Limited.
1996	Xiamen International Finance Company Limited changed its name to Industrial and Commercial International Capital Limited ("**ICIC**").
2008	To cater for the strategic transformation of the ICBC Group's operation model and growth strategy, ICIC was officially renamed as ICBC International Holdings Limited on 12 September.
2010	In March, the ICBC Group approved a HK$659 million capital injection into the Group, resulting in the total capital of the Group increasing to HK$939 million.
2011	In August, the ICBC Group approved a further HK$3.9 billion capital injection into the Group, resulting in the total capital of the Group increasing to HK$4.8 billion. The Group established its official debt capital markets department. The Group established an onshore RMB asset management platform with a number of private equity investment funds.
2017	The Guarantor was assigned an "A2" long-term issuer rating and "Prime- 1" short-term issuer rating from Moody's; it was also assigned an "A" long-term issuer credit rating and "A- 2" short term issuer credit rating from S&P.
2018	The Group issued US$700 million of floating rate medium-term notes based on its own credit ratings without a guarantee from the ICBC Group, which, as at the date of the Offering Circular, is the first such issue for an international arm of a big four PRC bank (the big four PRC banks being the Bank of China, China Construction Bank, Agricultural Bank of China and the ICBC Group). For the year ended 31 December 2018, the Group's net profit was HK$1,523.3 million, compared to HK$1,393.9 million for the year ended 31 December 2017, representing an increase of 9.3 per cent..
2019	The Guarantor has completed the acquisition of all the shares of ICBC Family Wealth (Shanghai) Investment Co. Ltd., a registered Private Securities Investment Fund Manager from Asset Management Association of China. The Group recorded net profit of HK$1,550.6 million for the financial year ended 31 December 2019, representing a 1.8 per cent. increase compared to the year ended 31 December 2018.

2020	For the year ended 31 December 2020, the Group's net profit was HK$1,931.8 million, compared to HK$1,550.6 million for the year ended 31 December 2019, representing an increase of 24.6 per cent.

Business Strategies

The Group intends to strengthen its position and seek growth opportunities through the implementation of the following business strategies.

Act as a strategic platform for serving the ICBC Group

The Group strives to be one of key drivers supporting the ICBC Group in its transformation process. The Group is dedicated to being a market leader by providing a licensed investment and financial services platform that complements the well-established and successful commercial banking business of the ICBC Group, leveraging on the ICBC Group's strong brand, client network and financial resources. A strategic positioning within the ICBC Group not only strengthens its own business, but also aligns with the wider goals of the ICBC Group.

Innovate and achieve synergised development in the four key businesses

The Group aims to develop its four key businesses, which include corporate finance, sales and trading, investing and asset management, by expanding product lines and focusing on enhancing product sophistication and innovation. This would enhance the Group's business synergies and cross-selling capabilities and thus serve its customers' increasing demand for tailored business solutions. The different sources of revenue from the four key businesses provide the Group with a solid base to continue the development of its diversified business lines and execution of its growth strategies, thus contributing to overall revenue growth.

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

In China, the coverage teams of the Group will focus on the domestic market and domestic clients by strengthening the Group's cooperation with the ICBC Group to better serve the clients of the ICBC Group. The Group aims to be a leader in the "going abroad" of PRC enterprises and in the "going in" of international capital in response to the development strategy of the PRC. Leveraging on the Group's access to the ICBC Group global network, the Group will implement strategic global coverage through the global geographic extension of each business line.

Continue to attract talented professionals to support its business strategy

To support the Group's business strategy to expand its product lines and to expand its operation globally, the Group intends to attract talented and diverse professionals. In addition, the Group intends to strengthen its corporate culture by promoting a people-oriented culture where sustainable long-term development of the Group's brand is built upon. The Group will continue to foster a work environment which encourages cultural diversity and cultural inclusiveness to attract high calibre talents both locally and internationally.

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

In order to keep up with its continuous business growth, the Group will continue to enhance its sound risk management system and internal control policies based on ICBC Group's Enterprise-Wide Risk Management Framework. While adapting to the rapidly changing business environment, the Group will continue to implement the prudent risk management culture of the ICBC Group and will further develop appropriate measures to cater for the Group's business needs. Through adhering to its comprehensive risk management system, internal control policies, and anticipating market changes, the Group continues to ensure that risks are evaluated before effective solutions are implemented in order to support the continuous development of the Group's business.

Competitive Strengths

The key competitive strengths of the Group are as follows:

Strong support from the ICBC Group

As the ICBC Group's wholly-owned licensed investment and financial services platform, the Group receives strong support from, and benefits from the competitive advantages of, the ICBC Group including its extensive client base, premier brand and strong capital base. The ICBC Group supports the Group's development through capital injections, intra-group lending and guarantees. The ICBC Group has authorised the Group to participate in the ICBC Group's Global Funding Platform which enables the Group to tap stable and reliable funds from the ICBC head office (the "**Head Office**") and ICBC branches globally. The Group also leverages on the extensive client relationships of the ICBC Group, thereby allowing the Group to connect with the ICBC Group's extensive branch network in Mainland China. In addition, the Group is able to effectively cooperate with other ICBC entities in client marketing to develop its comprehensive licensed businesses. The Group also plays a key part of the ICBC Group's broader development strategy and serves as a bridgehead to the ICBC Group's international business, allowing the Group to collaborate with both the onshore network and the offshore branches of the ICBC Group in the expansion of its various businesses and initiatives, including client referrals, project origination and investment opportunities. With the ICBC Group's support, the Group is well-positioned to develop and deliver to clients its broad range of products and services and facilitate its clients' needs and has developed competitive strengths in its offering of corporate finance, sales and trading, investing and asset management services.

The Group's policies, governance and internal control systems are in line with those implemented by the Head Office's management. In particular, the Group shares the same risk control and reporting systems as the ICBC Group, and its compliance and risk control measures are in line with the ICBC Group's requirements. All of the Group's risk control measures are approved by the ICBC Group. In terms of management and human resources, all five directors in the Board of Directors of the Guarantor are appointed by the Head Office, and directors can only be appointed, replaced or removed with approval by the ICBC Group. To ensure the high quality of the services provided by the Group, the ICBC Group assesses the performance of the Group based on a set of criteria that is in line with that adopted by the ICBC Group. This consistency and linkage of the Group's policies, governance and internal control systems with the ICBC Group ensures that the Group's risk management and internal governance procedures are monitored effectively.

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

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

Finance

In addition, the Group has demonstrated that it has a well-integrated financial platform on which it operates, with strong performance in a number of financial indicators. For the year ended 31 December 2020, total income* increased 13.4 per cent. from HK$5,323.4 million to HK$6,034.9 million, net profit

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* The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

increased 24.6 per cent. from HK$1,550.6 million to HK$1,931.8 million and total assets decreased 5.8 per cent. from HK$66,900.0 million to HK$62,995.9 million, compared with the previous year ended 31 December 2019.

Strong industry position and market recognition

The Group has developed a strong position in the industry by leveraging on the ICBC Group's resources and advantages and combining those with its own competitive strengths. The Group has an extensive domestic business network, an in-depth understanding of domestic and international policies and its execution capabilities have become well-recognised in the market. The Group's lines of businesses have been highly appraised by the market and its clients, and its proven track record has won the Group numerous industry awards from various well-known international media publications and other institutions.

The Group is a leading underwriter of equity products in the industry. Since incorporation to 31 December 2020, the Group has participated in 128 Hong Kong IPO projects with a total transaction value of US$162 billion (as bookrunner or above), ranking 2nd amongst Chinese underwriters in terms of total transaction value (as bookrunner or above), according to Dealogic for the period. For the year ended 31 December 2020, the Group participated in Hong Kong IPO projects with a total transaction value of US$31.0 billion (as bookrunner or above), ranking 2nd amongst all bookrunners in terms of total transaction value of IPO projects completed during the period, according to Dealogic. The Group was named the "Hong Kong IPO Pioneer Investment Bank 2019" by International Finance News. The Group was also selected by *ChinaVenture* as the Top 5 Best Investment Banks (Cross-border) in the China IPO Market for the year ended 31 December 2019.

The Group has been in the forefront of the Chinese offshore bond market for many consecutive years. By the end of 2020, the Group ranked No.2 in the China offshore investment-grade corporate bond market as well as 1st place among all Chinese investment banks. It is the only Chinese investment bank with Supranational Bond, Sovereign Bond and Sukuk Bond underwriting experience in Hong Kong. With excellent track record and reputation, the Group was awarded "BEST BOND ADVISER-DOMESTIC" in Hong Kong and was the only awarded Chinese investment bank.

Robust risk management system and prudent corporate governance

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

The Group also has a prudent corporate governance structure where powers are assigned by the shareholders to the Board of Directors and different committees. The Board of Directors of the Group comprises five directors, all of whom are appointed by the ICBC Group and is responsible for formulating overall development strategies and the approval of critical matters. The Group has complete and comprehensive committees such as a credit and investment management committee, a compliance and reputational risk committee, etc., all of which support the Group's business and operation.

Strong distribution network and research capabilities

The Group has established a well-structured, extensive and efficient distribution network of client coverage. This network encompasses the majority of Greater China and serves global institutional investors, high net worth individuals and corporates. The Group has diversified its distribution channels in order to enhance its ability to provide individualised services and has continued to upgrade its operational network, strengthen the build-up of its customer management team and improve its multi-level customer service system and its customer service capabilities. The Group also possesses strong research capabilities with a research team focused on Global Market research with the aim of providing investors with incisive investment recommendations and bespoke, value-added advice. In addition, it is also able to leverage on the ICBC Group's existing research, which gives the Group an additional competitive advantage.

Diversified financing channels and strong fundraising capabilities

The Group benefits from its strong financing capabilities. The Group maintains close long-term relationships with various large financial institutions and, due to the support from, and strong network of, the ICBC Group, is able to obtain funding at competitive rates to support the Group's business development. The Group maintains credit facilities with a variety of domestic banks, regional banks as well as international banks to support its business development and strategic expansion. The Group also receives strong funding support from the Head Office in the form of intragroup loans. (See "– *Strong support from the ICBC Group*" above.)

Professional management team with extensive knowledge and experience

The Group has a professional team dedicated to providing clients with the best investment and financial services, with expertise covering a broad range of sectors such as: financial institutions, real estate, natural resources, consumer, healthcare and general industry. The Group's operations are managed by executives with extensive industry experience and a proven track record in financial institutions and regulatory bodies. The Board of Directors of the Guarantor has extensive experience in the financial services industry (see "*Directors and Senior Management – Board of Directors*"). The Group recognises the importance of a capable workforce and has adopted various initiatives to attract proficient professionals to join the Group such as offering competitive remuneration packages, promoting staff development and encouraging career advancement. The expertise brought by the management team enables the Group to adjust its business strategies on a timely basis based on market trends and client needs and enables the Group to maintain its competitive advantages, laying a solid foundation for the Group's long-term sustainable growth.

Key Subsidiaries of the Guarantor

The Group has adopted a holding company structure and carries out its business activities primarily through wholly-owned subsidiaries. An overview of each of the Guarantor's key subsidiaries as of 31 December 2020 is set out below:

Name	Place of Incorporation	Particulars of issued capital	Proportion of ownership interest: Guarantor's effective interest	Interest held directly	Interest held indirectly	Principal activities
ICBC International Capital Limited. . . .	Hong Kong	380,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Advising on corporate finance
ICBC International Securities Limited . .	Hong Kong	6,800,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Securities brokering, margin financing and underwriting
ICBC International Services Limited . . .	Hong Kong	10,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Provision of management and administrative services
ICBC International Futures Limited. . . .	Hong Kong	170,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Futures and options contracts brokering
ICBC International Research Limited. . .	Hong Kong	6,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Provision of research services
ICBC International Finance Limited . . .	Hong Kong	5,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Advisory on corporate finance
ICBC International Strategic Investment Limited.	Hong Kong	1 share of HK$1	100 per cent.	100 per cent.	–	Investment holding

Name	Place of Incorporation	Particulars of issued capital	Proportion of ownership interest: Guarantor's effective interest	Interest held directly	Interest held indirectly	Principal activities
ICBC International Fund Management Limited....................	Hong Kong	426,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Asset management
ICBC International Asset Management Limited....................	Hong Kong	10,000,000 shares of HK$1 each	100 per cent.	100 per cent.	–	Asset management
ICBC (Shanghai) Investment Consultant Limited....................	PRC	US$500,000	100 per cent.	100 per cent.	–	Investment consultant services
珠海思陸投資諮詢合夥企業	PRC	RMB815,050,000	100 per cent.	–	100 per cent.	Investment holding
珠海思晴管理諮詢合夥企業(有限合夥) .	PRC	RMB714,938,911	100 per cent.	–	100 per cent.	Investment holding
工盈(天津)股權投資管理有限公司	PRC	RMB10,000,000	100 per cent.	–	100 per cent.	Asset Management
Victory Ride Holdings Limited	British Virgin Islands	1 share of US$1	100 per cent.	–	100 per cent.	Investment holding
Fine Process Limited	British Virgin Islands	1 share of US$1	100 per cent.	–	100 per cent.	Investment holding
銀通投資諮詢有限公司	PRC	RMB5,000,000	100 per cent.	100 per cent.	–	Investment consultant services
工銀國際投資有限公司	PRC	RMB100,000,000	100 per cent.	–	100 per cent.	Investment holding
工銀(廣東)投資管理有限公司.......	PRC	RMB10,000,000	100 per cent.	–	100 per cent.	Investment holding
ICBC International Investment Management Limited	British Virgin Islands	1 share of US$1	100 per cent.	100 per cent.	–	Investment holding
工銀家族財富(上海)投資管理有限公司 .	PRC	RMB10,000,000	100 per cent.	–	100 per cent.	Investment consultant services
工銀科技有限公司	PRC	RMB600,000,000	100 per cent.	–	100 per cent.	Technology business
深圳市前海海源投資諮詢有限公司	PRC	RMB248,628,167	100 per cent.	–	100 per cent.	Investment consultant services
深圳市前海海鋒投資諮詢有限公司	PRC	Nil	100 per cent.	–	100 per cent.	Investment consultant services
深圳市前海盈瑞投資諮詢合夥企業(有限合夥).....................	PRC	RMB867,100,000	100 per cent.	–	100 per cent.	Investment consultant services

Business Activities

The Group generates its revenue primarily through four principal business areas: (1) corporate finance, (2) sales and trading, (3) investing, and (4) asset management. The Group is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained the following licences from the Hong Kong Securities and Futures Commission ("**SFC**"): Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

The table below sets out the Group's total income* by business segment for the years ended 31 December 2018, 2019 and 2020:

	For the year ended					
	31 December 2018		31 December 2019		31 December 2020	
	Amount (HK$ million)	*Percentage (per cent.)*	*Amount (HK$ million)*	*Percentage (per cent.)*	*Amount (HK$ million)*	*Percentage (per cent.)*
Corporate Finance	262.5	6.1	307.4	5.8	267.2	4.4
Sales and trading	218.6	5.1	305.3	5.7	302.9	5.0
Investing	3,593.2	83.5	4,587.5	86.2	5,292.7	87.7
Asset Management	227.6	5.3	123.2	2.3	172.1	2.9
Total Income	**4,301.9**	**100.0**	**5,324.4**	**100.0**	**6,034.9**	**100.0**

The increase in total income* of the Group for the year ended 31 December 2020 compared to the year ended 31 December 2019 was due to strong business growth in its investing business. From time to time, the Group may make adjustments to the various business segments according to the prevailing market conditions and its business development strategies.

Corporate Finance

The corporate finance team of the Group possesses extensive international financial expertise and experience, which enables the Group to provide the best solutions to meet its clients' financial and advisory needs. The Group provides financing, underwriting and financial advisory services which cover the life cycle of an enterprise's development, and by utilising the ICBC Group's network and resources, creates value for its corporate clients and international financial institutions.

The objective of the corporate finance business is to offer premier services to the clients of the ICBC Group via the following strategies:

- Leveraging on the ICBC Group's extensive client network to deliver comprehensive services and solutions to its clients, and in particular, exploring ways to complement and enhance the ICBC Group's commercial banking business. The Group strives to provide value added services to its clients through the development of innovative products and tailored financial advice.

- Synergising with the ICBC Group's global presence to deliver capital markets (both equity and debt) and M&A services to clients globally, including both inbound and outbound transactions in the PRC.

The total income* for the corporate finance business for the years ended 31 December 2019 and 31 December 2020 was HK$307.4 million and HK$267.2 million, respectively, which contributed 5.8 per cent. and 4.4 per cent. of the Group's total income* for the relevant year, respectively.

This decrease in total income* from the corporate finance business of the Group for the year ended 31 December 2020 compared to the year ended 31 December 2019 was due to the decreased participation by the Group in sponsor deals.

Equity Capital Markets

The equity capital markets services of the Group's corporate finance business comprise equity public offerings (which involve primary and secondary offerings) and private placements. By focusing on the key and high-quality clientele of the ICBC Group, the Group has been an active participant in initial public offerings for various industry-leading corporations, and has acted as sponsor, joint global coordinator, joint bookrunner and joint lead manager.

* The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

Over the years, the Group has been involved in a number of important equity capital markets projects with large fundraising scale and far-reaching market influence. Since incorporation to 31 December 2020, the Group has participated in 128 Hong Kong IPO projects with a total transaction value of US$162 billion (as bookrunner or above), ranking 2nd amongst Chinese underwriters, according to Dealogic for the period. The Group also acted as underwriter in a number of major equity offerings, including the US$69.9 billion international equity offering by Petrobras and the US$12.9 billion Hong Kong IPO by Alibaba Group Holding, and other Hong Kong IPOs for Chinese companies including The People's Insurance Company (Group) of China Limited, Postal Savings Bank of China Co Ltd., Xiaomi Corporation, China Tower Corporation Limited, Shenwan Hongyuan Group Co., Ltd., Topsports International Holdings Ltd, JS Global Lifestyle Co Ltd., JD Health, JD.com Inc, NetEase Inc, China Bohai Bank Co Ltd and other major Hong Kong IPO projects.

For the year ended 31 December 2020, the Group participated in 27 completed IPO projects, compared with 22 in the previous year, representing an increase of 22.7 % in the number of transactions. Out of such 27 IPO projects, the Group participated in all of the top 10 Hong Kong IPO projects, including JD.com Inc, NetEase Inc, Yum China Holdings Inc, Evergrande Property Services Group Ltd, Hangzhou Tigermed Consulting Co Ltd, and other major Hong Kong IPO projects. The Group was also the sole sponsor on the IPOs for Datang Group Holdings Ltd. and Transtech Optelecom Science Holdings Ltd. (transfer of listing). During the same year, the Group participated in Hong Kong IPO projects with a total transaction value of US$31.0 billion (as bookrunner or above), ranking 2nd amongst all Hong Kong bookrunners in terms of total transaction value of IPO projects completed during the year, according to Dealogic. The Group was also selected by ChinaVenture as one of the Top 5 Best Investment Banks (Cross-border) in the China IPO Market for the year ended 31 December 2019. The Group was named the "Hong Kong IPO Pioneer Investment Bank 2019" by International Finance News. The Group also took a leading role in numerous award-winning transactions including:

- JD.com US$3.9 billion secondary listing, was awarded the "Best equity deal 2020" by The Asset;
- JD Health International US$3.48 billion IPO, was awarded the Best IPO – Healthcare/Pharma 2020" by The Asset;
- Hangzhou Tigermed US$1.38 billion Hong Kong IPO, was awarded the "Best IPO 2020" by The Asset.

The key sources of revenue on equity capital markets transactions are sponsor fees and underwriting fees. Sponsor fees on such transactions are in line with market standard, and IPO underwriting fees depend on the amount of the offering, the size of the IPO, the underwriting contributions and scope of role.

Debt Capital Markets

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

For the years ended 31 December 2018, 2019 and 2020, both the transaction value and the role of the bond issuance in which the Group lead managed improved. For the year ended 31 December 2020, the Group's debt capital markets business maintained a good momentum and stable growth with strong and healthy pipelines. During the year ended 31 December 2020, the Group participated in 84 offshore bond transactions, with a total transaction value of US$67.5 billion, representing an increase of 15.98 per cent. from the previous year.

In recent years, the Group has actively adapted to the market, constantly enhanced its own business capability and has strived to develop its underwriting business, focusing on but not limited to PRC enterprises' offshore bonds. It has not only achieved solid business growth, but also established a positive reputation and brand for its debt capital markets business. The Group was also named "Best Bond Adviser in Hong Kong" for the year of 2020 by The Asset. The Group was also featured in many award winning transactions in which the Group played a leading role including:

- the US$ 1.5 billion dual-tranche bond issuance by Contemporary Amperex Technology which was awarded the "Best new bond in China 2020" by The Asset;

- the US$ 300 million senior notes issuance by Champion Reit which was awarded the "Best corporate bond in Hong Kong 2020" by The Asset;

- the €500 million green bond issuance by Beijing Enterprises Holdings which was awarded the "Deals of the year – Best Green Bond" by The Asset;

- the US$ 2 billion multi-tranche senior notes issuance by China Cinda (HK) Holdings Company which was awarded the "Outstanding Deals – Asset Management Best Bond" by The Asset;

- the US$2 billion dual-tranche senior notes issuance by Meituan which was awarded the "Outstanding Deals- E-commerce Best Bond" by The Asset;

- the US$1.2 billion senior bond issuance by China Construction Bank (Hong Kong) which was awarded as the "Best Green Bond in China 2020" by The Asset.

While expanding its business scale, the Group's Global Debt Capital Markets team is actively seeking new opportunities including capital instruments, supranational bond issuance transactions and has participated in bond transactions by sovereign issuers in regions including Africa, Middle East and Asia in recent years. For the year ended 31 December 2020, some of the key transactions which the Group has completed include the US$2.9 billion Non-Cumulative Perpetual Offshore Preference Shares issued by ICBC, US2.82 billion Non-Cumulative Perpetual Offshore Preference Shares issued by Bank of China, US$3 billion supranational bond issuance by Asian Infrastructure Investment Bank for twice and the underwriting of US$1 billion bond issuance by the Dubai Islamic Bank. These transactions expanded the Group's presence in the international bond market and maintained the market-leading position of Group's Global Debt Capital Markets team.

Financial Advisory Service

The Group provides its clients with a variety of financial advisory services in transactions such as M&A, capital raising, restructuring and privatisation. Leveraging on its extensive business experiences, network and resources, the Group assists its clients in finding transaction opportunities and provides professional advice on transactions. In recent years, the Group has continuously strengthened its business capabilities in cross-border M&A and has committed to providing financial advisory and financing services to market-leading companies in cross-border M&A projects and restructuring projects.

It has also increased cooperation with the ICBC Group to serve the ICBC Group's overall strategic layout. The Group's financial advisory service business is developing, and it has entered into multiple cross-border M&A advisory service contracts, in areas spanning power and utilities, healthcare, consumer, industrial, financial services and etc. One of the key transactions of the Group is the cross-border M&A financing transaction of a household electrical appliance company, where the Group was also the sponsor for its subsequent IPO project. The Group was appointed by a listed company in Hong Kong as the sole financial adviser of the purchaser for its privatization project.

Revenue from the financial advisory service business is generated primarily from financial advisory fees. The fees on such transactions will depend on the complexity and size of the transaction and are typically expressed as a percentage of the transaction price.

Sales and Trading

The Group's main sales and trading business consists of (i) agency trading services for equities, equities options, bonds, futures, futures options, funds and margin financing and (ii) bond market making.* The sales and trading business is committed to providing a full range of investment products for both primary and secondary markets to sovereign funds, large national and state-owned enterprises, private enterprises, banks, insurance companies, fund companies and high-net-worth individuals through its professional one-stop investment and financing platform.

The services of the sales and trading business include:

- Promoting deal and non-deal roadshows and diversified company access opportunities;
- Providing investors with research reports, market insight and timely market information;
- Providing primary market access for the subscription of Hong Kong IPOs and international placings;
- Providing IPO financing and margin financing services; and
- Providing trading and execution platform for equities, bonds and futures trading, and bond market making.*

The total income** for the sales and trading business for the year ended 31 December 2020 was HK$302.9 million, which contributed to 5.0 per cent. of the Group's total income** for the relevant year. The figure is comparable with that for the year ended 31 December 2019. The total income** of the sales and trading business is derived mainly from bond market making*, equity agency and margin financing businesses. The ranking of The Stock Exchange Hong Kong Limited equity turnover in the HKEX significantly improved to 62 in 2020 which is constituency B as compared with C in 2019.

The objectives of the sales and trading business are:

- Steadily increasing business income in compliance with regulatory and risk control requirements.
- Taking advantage of the ICBC Group's global network to create greater synergy between the Head Office and domestic and overseas branches in order to broaden the sales channels.
- Strengthening the construction of business processes and internal control systems.

Investing

The Group engages in principal investing and lending activities which are broadly divided into two categories, namely (i) bespoke private investments involving equity, debt and hybrid products, and (ii) publicly traded securities involving shares and bonds.

The Group's investing business covers a wide range of industries such as real estate, logistics, finance, chemical materials and products, technology, pharmaceuticals and healthcare, and a diverse product range including equity, debt and hybrid products, mezzanine financing, private placement bonds,

* This is carried out by a British Virgin Islands incorporated subsidiary of the Group.

** The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

guarantees and other financial investments. Since incorporation, the Group has completed over a hundred investment projects. In recent years, the Group's investing business followed the "Internet+" strategy and converted into newer technology, industries and frameworks and have made investments in internet, technology and artificial intelligence programmes. The investing business team is comprised of individuals from leading international investment institutions with extensive investment experience. With its global outlook, the team keeps abreast of market developments, and helps its clients seize market opportunities and respond quickly and dynamically to market changes. The Group also engages occasionally in small scale investments or share acquisitions with subsidiaries or affiliates of the ICBC Group.

Major clients of the Group's investing business include central and global SOEs, multinational organisations, major market leaders in different industries and corporations with high growth potential.

Benefiting from a global customer network and the comprehensive financial service offered by the ICBC Group, the Group fully explores capital needs of its customers in different regions, providing impetus for the rapid growth of their businesses.

The investment portfolios comprise of investments in mainland China, Hong Kong, Australia, Southeast Asia, etc.

In addition to its originating investments, the Group also collaborates with leading institutions in the industry, to enhance its brand influence, seek potential investment opportunities in quality projects and expand its project base and distribution network.

The Group focuses on its client needs and designs bespoke financing solutions by taking advantage of its full licences, experienced team and diversified products. It provides clients with integrated financing solutions by tapping on ICBC Group's business platform.

Private investments: The Group engages in private investments and financing activities by deploying proprietary funds. Private investments include all form of debt financing, equity investments and hybrid instruments. Products include mezzanine financing, pre-IPO financing, bridge financing, structured financing, M&A financing, private equity investment, preference shares and convertible bonds etc. Furthermore, the Group acts as a general partner to raise and manage investment funds. The Group typically also provides part of the seed investment as an investor (or limited partner) of such funds. In addition, the Group also engages in the Fund of Funds business.

Publicly Traded Securities: Such investments are funded by the Guarantor's proprietary funds, and are focused on publicly listed equity and debt securities. Publicly traded investments include investment grade bonds, non-investment grade bonds, additional tier one capital (contingent convertible bonds), common shares and preferred shares.

The total income[*] from the investing business for the years ended 31 December 2019 and 31 December 2020 was HK$4,587.5 million and HK$5,292.7 million, respectively, which contributed 86.2 per cent. and 87.7 per cent. of the Group's total income[*] for the relevant year. This increase in total income[*] of the investing business was predominantly driven by the surge in valuation and capital gain on investees which benefitted from a rapid recovery of Chinese economy in the midst of the pandemic.

The investing business is strongly supported by the Head Office. The ICBC Group has provided financial support and created opportunities to market the Group's investing business to large corporate clients. The Group also rolls out marketing campaigns targeted at large corporate clients together with the Head Office in order to seize and effectively capture project investment opportunities. In addition,

* The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

through information sharing and flexible resource allocation with the ICBC Group, the Group is able to better serve its clients by providing various complementary value-added services, for example, investment services and escrow account services, which in turn allow the Group to generate revenue for the wider ICBC Group and promote brand recognition.

The business strategy of the investing business is focussed on developing its marketing channels with three main objectives:

- Becoming an influential top-tier professional investor with a global perspective in the Asia-Pacific region, a leader in product innovation and an active supporter of interaction and networking between different businesses of the ICBC Group.

- Interacting with leading institutions in the industry including but not limited to PRC banks to help enhance brand influence, seek potential investment opportunities in quality projects while diversifying the project base and promoting extensive distribution channels.

- Targeting large-scale clients, markets and businesses with a focus on investing in large-scale central SOEs and multinational corporations, industry leading enterprises and corporates, and cooperating with the ICBC Group to market the business.

Asset Management

The Group has been developing and expanding its asset management business. The asset management business manages third party funds and provides investors with comprehensive asset management services and offers a range of product lines and strategies, with a focus on publicly listed securities (both equity and debt) and private equity investments.

The Group was granted the Qualification of Private Equity, the Qualification of Venture Capital Fund Manager and the Qualification of Private Securities Investment Fund Manager by the Asset Management Association of China, which enabled the Group to begin its asset management business in the PRC.

The Group's asset management business is broadly divided into two areas, namely investment fund asset management and private fund asset management. Together with increasing institutional, corporate and high-net-worth individual clients, the Group also actively promotes cooperation and interaction with other departments, branches and subsidiaries within the ICBC Group and has achieved good results in both areas.

Investment Fund Asset Management: Since the launch of its investment fund asset management business, the Group has carried out its investment management business focusing on equity and fixed income securities. In recent years, the Group set up multiple funds such as absolute return and balanced investment funds and IPO cornerstone funds which participated in a number of cornerstone investments and anchor investments.

Private Fund Management: The Group's private fund management business has both onshore and offshore operations. Its onshore fund operation is mainly conducted through vehicles that have been registered under the Asset Management Association of China. Its offshore business is mainly conducted through the Guarantor's subsidiary, ICBC International Fund Management Limited. As of the date of this Offering Circular, ICBC International Fund Management Limited held Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) licences from the SFC.

Consistent with industry norms, the total income* for the asset management business is primarily derived from management fees and performance fees, each of which is adjusted depending on the specific nature of the fund and client. Other fee basing parameters include liquidity, size, and investment period plus asset class.

The asset management business is strongly supported by the Head Office in the following ways: (i) the Head Office offers supervision and management to help the business develop an appropriate risk control system, (ii) the business can develop joint relationships and organise international roadshows and other marketing activities with the Head Office, (iii) the business can develop and access high-quality onshore and offshore assets and work alongside sovereign institutions on industrial restructuring funds and other initiatives, (iv) the business can use connect schemes such as Stock Connect, Bond Connect, Mutual Recognition of Funds etc. with the Head Office as a basis for future cooperation with commercial banks, with the aim of increasing the size of assets under its management, and (v) the Head Office provides prioritised support on middle and back office functions such as human resources and information and technology.

There are four main objectives of the asset management business, including:

- Establishing the business' reputation and market position in cross-border asset management. At the same time, the Group aims to transform into a top-tier asset management company in the Asia-Pacific region with a global portfolio.

- Further improving the organisation and team-building aspects of the asset management business by strengthening the business' domestic and overseas offices, establishing a comprehensive incentive mechanism and building the business' basic infrastructure.

- Diversifying the products, clients and markets of the business.

- Developing the onshore asset management business by acquiring the related licences in China.

Research

As of 31 December 2020, the Group's Research team consisted of 30 analysts who conduct independent research on macro-economy, fixed income and equity market strategy, and major sectors including financials, real estate, consumer, healthcare, TMT, materials and energy with a coverage of almost all industries and 132 listed companies. The majority of them are equipped with extensive work and/or educational experience in China's domestic and overseas financial markets. With a strong link to the ICBC Group and its international branch network, the Group's Research team also provides institutional investors as well as corporate and high net worth clients with a diversity of corporate access opportunities.

The independence, expertise and forecast accuracy of the Group's Research team have been widely recognised over recent years. For the year ended 31 December 2020, the team was ranked the third among Chinese brokers and overall ranking of 9th in All-China Research (Overseas) in the Institutional Investor Analyst Poll. The team ranked first in the Public Utilities & Alternative Energy sector, and among the runner-ups in Pharmaceuticals & Biotechnology and Strategy. The team's Chief Economist was named the "Star Economist of the Month" by China Business Network.

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* The Group's "total income" comprises "Revenue", "Other net income", "Share of profits of joint ventures" and "Share of (losses)/profits of associates" as set out in its consolidated statement of profit or loss and other comprehensive income of the audited consolidated financial statements for the years ended 31 December 2020 and 2019.

Regulatory Requirements and Compliance

The Group is subject to the regulatory regimes in Hong Kong and the PRC, as well as the requirements set out by the various professional industry bodies of which it is a member including the Asset Management Association of China（中國證券投資基金業協會）.

SFC

Due to the licensing regime of the SFC, in order to engage in the businesses of the Group, such as capital markets and advisory, securities and futures brokerage, and asset management, the relevant entities within the Group and their responsible personnel are required to obtain and hold the relevant licences from the SFC and to be in compliance with applicable regulatory requirements from time to time.

Apart from the SFO, the Group's licensed entities and their licensed personnel are required to comply with Hong Kong subsidiary legislation and regulations, codes and guidelines developed by the SFC, as well as rules and regulations introduced and administered by the SEHK and the Hong Kong Futures Exchange Limited (the "**Futures Exchange**"). Any broker-dealer that intends to operate a brokerage business for products available on Hong Kong Exchanges and Clearing Limited or which uses the trading facilities of the SEHK and/or Futures Exchange, must be admitted and registered as an Exchange Participant (as defined in the SFO) of that exchange.

Money Lenders Regulations

The Money Lenders Ordinance (Cap. 163) of Hong Kong ("**MLO**") is a comprehensive regulatory statute governing consumer loan providers other than authorised institutions within the meaning of the Banking Ordinance (Cap. 155) of Hong Kong such as banks and deposit-taking companies. The MLO stipulates that only persons granted with a money lenders licence issued by a licensing court may carry on the business of a money lender. The MLO further states that such persons must carry on such money lending business in accordance with the conditions and only at the premises specified in the licence. However, since the Guarantor is a subsidiary of the ICBC Group, the Guarantor qualifies as an "exempted person" for the purpose of the MLO and therefore does not need a money lender licence accordingly. The MLO regulates various aspects of the business, including (but not limited to) the basic terms of loan agreements and applications for, and revocations of, licences, and imposes restrictions on advertising and excessive interest rates.

Risk Management

Responsibility for overseeing risks

The Senior Management of the Group shall assume entire responsibilities for the Group's risk management.

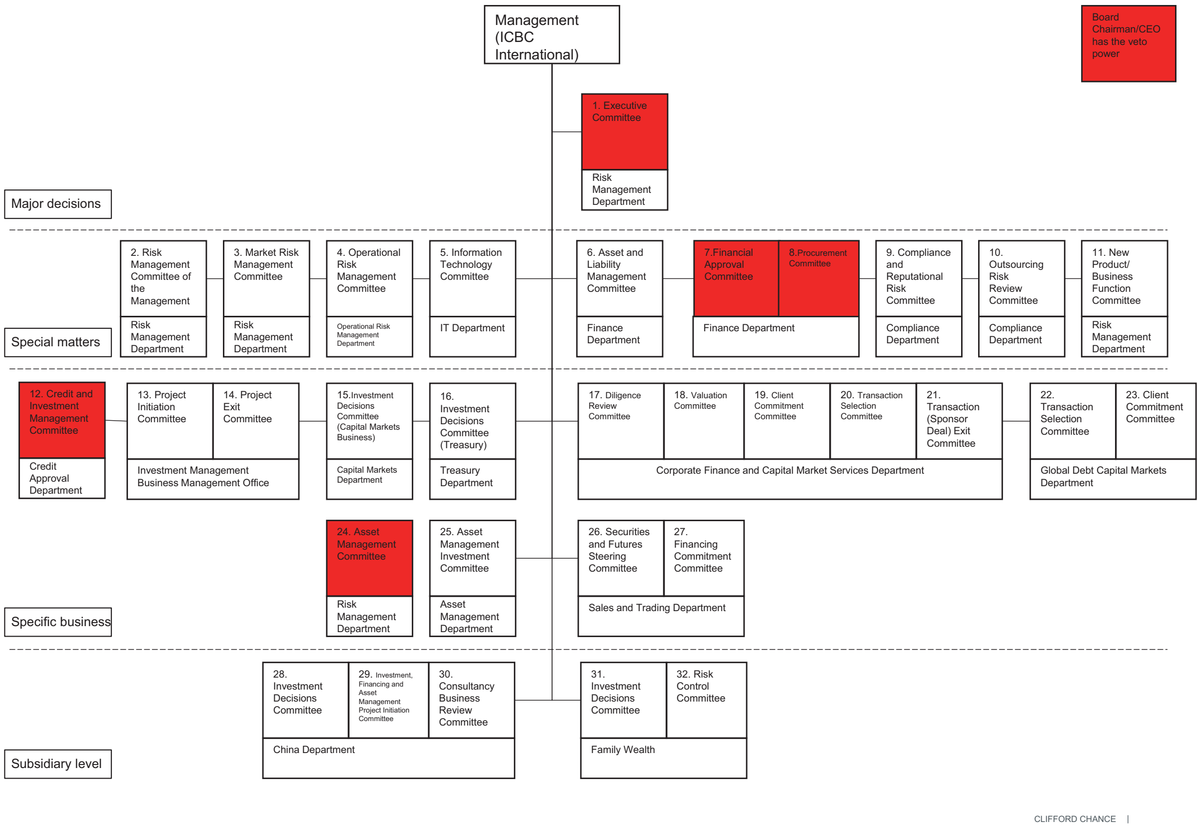
The Group's objectives, basic policies and organisational structure of risk management

The Group's risk management objectives are to enhance corporate risk governance while focusing on the Group's overall business development strategies and plans; to implement its "comprehensive risk management" philosophy by improving risk control policies and systems, efficiently overseeing and assessing risk exposure of each business or product by implementing detailed risk control plans, and optimising its portfolio to balance risk and return; and to uphold the core values of the ICBC Group's risk management culture (namely, legality and compliance, stable operation, integrity and precision, professionalism and collaboration and shared responsibility).

The Group's "comprehensive risk management" philosophy covers all its business lines, departments, positions and personnel. Through an efficient and balanced risk management structure, it has cultivated a risk culture that promotes stability and prudence, formulated a unified risk management strategy and risk appetite, and implemented risk limit and risk management policies.

There are seven key elements in the Group's comprehensive risk management, including a risk management culture, a risk governance structure, systems and policies, risk appetite and limits, business processes, management information systems and data quality management, and internal control and internal audit. The Group's comprehensive risk management also adheres to five main principles, namely full coverage, effectiveness, compatibility, independence and proactiveness.

Set out below is the Group's organisational structure of risk management as of 31 December 2020:



To implement its "comprehensive risk management" philosophy, the Group has built three lines of defence as follows:

- the first line of defence is the front-office business departments which have direct responsibility and accountability for risk management;

- the second line of defence consists of the departments with risk management functions, such as risk management and internal control & compliance department. Internal control is an important component of this line of defence, and through developing and implementing a system with systematic processes and methods, it identifies and controls relevant risks in each of the Group's business and managed activities; and

- the internal audit department forms the third line of defence which shall assume the supervisory responsibilities for risk management. By using a systematic and standardised approach and objectively and independently assessing and monitoring the performance of the first and second lines of defences, the internal audit department evaluates the effectiveness of the overall risk management internally.

All three lines of defence adopt the "proactive prevention, intelligent control and comprehensive management" approach to risk management. All staffs of the Group are adequately trained to perform the enterprise-wide risk management function in their respective departments.

The Group has developed its comprehensive risk management system mainly through the following measures:

- *a sophisticated committee mechanism* – various committees with corresponding rules and management have been formed according to the Group's business segments and characteristics;

- *departments with risk management functions* – departments with risk management functions take a lead in risk management with support from other departments within the Group;

- *a robust system* – the risk management system covers all corporate levels within the Group and all of its products and risk types; and

- *clear business processes* – a clear and controllable process has been put in place for each business or product.

Furthermore, the Group continues to improve its risk management system through measures such as optimising the committee mechanism, promoting scientific decision making, increasing operational efficiency, building a comprehensive risk management system and formulating clear business processes for all kinds of products based on its investment bank's characteristics. To facilitate and streamline the credit and investment approval process, the Group set up a new Credit Approval Department in October 2019 specialized in approving and led by the credit experts transferred from the Head Office Credit Department.

In 2020, The Group received the No.1 award in the implementation of the "Enterprise-Wide Risk Management Framework" amongst ICBC's tier-1 branches, overseas institutions and subsidiaries. The Group synergizes with the Head Office and strives to strengthen the risk management framework.

Capital Management

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholder value. In addition, several subsidiaries of the Group licensed by the SFC are obliged to meet regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") at all times. In order to maintain or adjust its capital structure, the Group may adjust the dividends paid to shareholders or issue new shares. The Group monitors capital on the basis of total equity as shown in the consolidated statement of financial position. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term.

Employees

The Group had around 500 employees as at 31 December 2020. The Group has maintained good working relationships with its employees and does not foresee any difficulties in the recruitment and retention of experienced staff. To ensure the high quality of its employees and the services provided by the Group, the performance of the Group's employees is assessed using both qualitative and quantitative measures, where assessment indicators, criteria and weightings are set for each calendar year and aligned with that used by the ICBC Group to ensure a streamlined and uniform approach across the ICBC platform. In addition, the Group is committed to developing and nurturing the talent of its employees through the provision of appropriate training and seminars, business cooperation and staff secondment opportunities.

Registered Office

The registered office of the Guarantor is located at 37/F, ICBC Tower, 3 Garden Road, Hong Kong.

Information Technology

The Group's information technology ("**IT**") department is responsible for delivering and maintaining secure, reliable and high-quality systems to support the business operations of the Group and the provision of the necessary IT infrastructure based on the business needs and development of the Group.

The Group's IT systems consist of four key components: front office, middle office, back office and internal management systems that generally cover transaction management, customer service and risk management, investment, accounting, and internal enterprise management. The Group aims to keep its IT systems updated with the goal of achieving higher operational efficiency, enhance user access and customer service, provide flexibility for future business needs, respond to market development trends and increase its competitiveness in the markets in which it operates.

Insurance

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as office premise and property damage insurance, employee compensation insurance, medical insurance, critical illness insurance, and life insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage and complies with the statutory requirements in Hong Kong.

The Group believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for its competitors in Hong Kong. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage for its business.

Legal Proceedings

As at the date of this Offering Circular, there are no current litigation or arbitration proceedings against the Group, which could have a material and adverse effect on the Group's business, financial condition or results of operations. As at the date of this Offering Circular, the Group is not aware of any pending or threatened litigation or arbitration proceedings against it, which could have a material and adverse effect on the Group's business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT

As at the date of this Offering Circular, the members of the board of directors and senior management of the Guarantor are as follows:

DIRECTORS

Name	Position	Age
AN Liyan	Director	59
CHANG Zhenwang	Director	59
WANG Yixin	Director	58
HU Yimin	Director	54
GAO Dong	Director	47

AN Liyan

Ms. AN Liyan joined the Guarantor in 2017, currently serving as Chief Executive Officer. Ms. An is also currently the acting chairman of the board of directors of the Guarantor. Ms. An has extensive experience in investment banking and capital markets. Ms. An has served ICBC Group for more than 30 years, where she held a variety of positions in ICBC headquarters and overseas institutions. Previously, she was appointed as Deputy General Manager of the Investment Banking Division at ICBC. She also served as Chief Operating Officer and subsequently as Chief Financial Officer at ICEA from February 2001 to December 2004. Ms. An obtained a bachelor's degree in International Finance from School of Economics, Liaoning University, and a joint master's degree of Business Administration (International) from Fudan University and the University of Hong Kong. She is a senior economist.

CHANG Zhenwang

Mr. CHANG Zhenwang, a Non-Executive Director appointed by ICBC Head Office, has served in the ICBC Group for more than 30 years. Prior to taking up his current role, Mr. Chang served as the head of ICBC Anhui Provincial Branch. Currently, he serves as the chairman of Industrial and Commercial Bank of China (Malaysia) Berhad, and Industrial and Commercial Bank of China (Almaty) Joint Stock Company. He has extensive experience in managing financial institutions.

Mr. Chang graduated from Shanxi University of Finance and Economics with a bachelor's degree in Finance and obtained a master's degree in Business Administration (International) from a joint program by Fudan University and the University of Hong Kong.

WANG Yixin

Ms. WANG Yixin, a Non-Executive Director appointed by ICBC Head Office, has served in the ICBC Group for more than 30 years. Currently, she serves as a director in ICBC Financial Leasing Co., Ltd, ICBC Aviation Leasing Co. Ltd., ICBC Financial Asset Investment Co., Ltd., ICBC Capital Management Co., Ltd., and ICBC Information and Technology Co., Ltd.. She has extensive experience in managing financial institutions. Ms. Wang obtained a bachelor's degree in Chemical Engineering from Tianjin University, a master's degree in Industrial Engineering from Beijing Institute of Technology, and a master's degree in Business Administration (International) from a joint program by Fudan University and the University of Hong Kong.

HU Yimin

Mr. HU Yimin, a Non-Executive Director appointed by ICBC Head Office, has served in the ICBC Group for more than 22 years. Prior to taking up his current role, Mr. Hu served as the deputy head of the Institutional Banking Department of ICBC Head Office. Currently, he serves as a director in Industrial and Commercial Bank of China (Asia) Limited, ICBC Wealth Management Co., Ltd, ICBC Asset Management (Global) Company and Chinese Mercantile Bank. He has extensive experience in managing financial institutions. Mr Hu graduated from Renmin University of China with a bachelor's degree in Economics and obtained a master's degree in Business Administration from Tsinghua University. He also has overseas study experience from a joint program by ICBC and the University of Illinois.

GAO Dong

Mr. GAO Dong joined the Guarantor in 2013, currently serving as Deputy Chief Executive Officer. Mr. Gao has served ICBC Group for more than 20 years, where he served as various senior roles at the Settlement and Cash Management Department, the Accounts and Settlement Department in ICBC Head Office. He was also assigned to ICBC Shenyang, serving as the Vice President. Mr. Gao obtained a master's degree in Business Administration (International) from a joint program by Fudan University and the University of Hong Kong, and a master's degree in Accounting from Beijing Jiaotong University. He is a Chartered Global Management Accountant and a fellow member of Chartered Institute of Management Accountants. He was a visiting scholar at University of Illinois at Urbana-Champaign, and is a senior accountant. As one of the Deputy Chief Executive Officers, he was previously in charge of the Investment Management segment, and is currently in charge of the Asset Management segment of the Guarantor.

SENIOR MANAGEMENT

Name	Position	Age
AN Liyan.	Chief executive officer	59
GAO Dong.	Deputy chief executive officer	47
WANG Wei	Deputy chief executive officer	50
WANG Yaowu	Deputy chief executive officer	54
SUN Kin Kong James	Deputy chief executive officer	51

AN Liyan

Please see above.

GAO Dong

Please see above.

WANG Wei

Ms. WANG Wei joined the Guarantor in 2014, currently serving as Deputy Chief Executive Officer. Ms. Wang has served ICBC Group for more than 20 years, where she served as various senior roles at the Corporate Finance Department, the Project Financing Department and the Credit Approval Department in ICBC Head Office. Ms. Wang obtained a master's degree in Business Administration (International) from a joint program by Fudan University and the University of Hong Kong. She was a visiting scholar at Stanford University. As one of the Deputy Chief Executive Officers, she is currently in charge of the Corporate Finance Department, the Global Debt Capital Markets Department and the China Department of the Guarantor.

WANG Yaowu

Ms. WANG Yaowu joined the Guarantor in 2015, currently serving as Deputy Chief Executive Officer. Ms. Wang has served ICBC Group for 25 years, where she served as General Manager at the Asset Liability Management Department in ICBC Shenzhen Branch, Deputy General Manager at the Institution Business Department in ICBC Shenzhen Branch, and Deputy General Manager at the Product Innovation Management Department in ICBC Head Office. Ms. Wang graduated from Peking University with a bachelor's degree in Economics, and obtained a master's degree in Economics from PBC School of Finance, Tsinghua University. As one of the Deputy Chief Executive Officers, she is currently in charge of the Risk Management Department, the Credit Approval Department, the Legal Department, the Compliance Department, the Post-investment Review department, the Operation department, the Information and Technology department and the Administration Department of the Guarantor.

SUN Kin Kong James

Mr. SUN Kin Kong James joined the Guarantor in 2018, currently serving as Deputy Chief Executive Officer. Mr. Sun has more than 25 years' experience in renowned financial institutions. He worked as Head of Greater China Sales at UBS and was appointed as Member of Hong Kong Management and Risk Committee at UBS. Prior to joining UBS, he worked as Head of Bank Sales for Greater China at Goldman Sachs. Mr. Sun graduated from University of California, Los Angeles with a bachelor's degree and obtained a master's degree from Stanford University. As one of the Deputy Chief Executive Officers, he is currently in charge of the Research Department and Sales and Trading segment of the Guarantor.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular, all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere.

Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

British Virgin Islands

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

British Virgin Islands Taxation

The following is a discussion on certain British Virgin Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under British Virgin Islands law.

Under Existing British Virgin Islands Laws

Payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Company.

If neither the Company nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes and the Certificates or on an instrument of transfer in respect of the Notes or Certificates.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal, including any premium payable on redemption of the Notes or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, other than a financial institution, 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 or 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 redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes (other than capital gains) 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.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.1 per cent. (prevailing) or 0.13 per cent. (tentatively with effect from 1 August 2021, subject to the completion of the legislative process) payable by each of the seller and the purchaser, normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC resident Noteholders in this "*Taxation – PRC*" section and include both non-resident enterprises and non-resident individuals. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference also is made to the avoidance of double taxation arrangement between mainland China and Hong Kong with respect to Hong Kong taxes from the year of assessment beginning on or after 1 April 2007 and with respect to PRC taxes from the taxable year beginning on or after 1 January 2007 pursuant to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Arrangement**").

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes sold by enterprises established within the territory of China to non-resident enterprises (including Hong Kong SAR enterprises) and non-resident individuals (including Hong Kong SAR resident individuals). The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interest paid on the Notes to non-PRC holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of double taxation arrangement between China and Hong Kong will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement.

According to the Arrangement, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Notes. For other investors of the Notes, according to the PRC Enterprise Income Tax Law and its implementation rules, it is unclear whether the capital gains of non-resident enterprises derived from a sale or exchange of the Notes will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident enterprise holders and individual holders, other than Hong Kong residents, may be subject to enterprise income tax at a rate of 10 per cent. and 20 per cent. respectively of the gross proceeds (unless other tax preferential treatments are provided by any special tax arrangements).

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the US Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA

("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published 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. However, if additional Notes (as described under "*Terms and Conditions of the Notes – 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.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in an amended and restated dealer agreement (the "**Dealer Agreement**") dated 15 July 2021 (as further amended and supplemented or restated from time to time), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Forms of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer and the Guarantor will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilisation Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor, or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

In addition, the Dealers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor, and/or their respective subsidiaries or affiliates, from time to time, for which they have received customary fees and expenses. The Dealers and their subsidiaries or affiliates may, from time to time, engage in transactions and perform services for the Issuer, the Guarantor, and/or their respective subsidiaries and affiliates in the ordinary course of their business. In addition, certain of the Arrangers and Dealers, namely ICBC International Securities Limited, is a subsidiary of the Guarantor. The net proceeds from each issue of the Notes may be on-lent by the Issuer to the Guarantor and/or any of its subsidiaries, including ICBC International Securities Limited.

Selling Restrictions

United States of America

Dealers' compliance with United States securities laws

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment in the United States, except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and may not be offered or sold into or within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold the Notes of any identifiable tranche, and shall not offer or sell the Notes of any identifiable tranche (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of such tranche, as determined, and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, in the case of a syndicated issue, the Lead Manager, except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed to notify the Fiscal Agent or, in the case of a syndicated issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a syndicated issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (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 completion of the distribution of such tranche as determined, and certified to the Issuer and each relevant Dealer, by Fiscal Agent/Lead Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph have the meanings given to them by Regulation S.

Where the relevant Pricing Supplement for Bearer Notes specifies that the TEFRA D Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of the TEFRA D Rules. Where the relevant Pricing Supplement for Bearer Notes specifies that the TEFRA C Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of TEFRA C Rules. Where the relevant Pricing Supplement specifies that TEFRA is not applicable, the Notes will not be issued in accordance with the provisions of either the TEFRA D Rules or the TEFRA C Rules.

The TEFRA D Rules

In addition, unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", and each Dealer has represented, warranted and undertaken, to the Issuer and the Guarantor that:

(a) *Restrictions on offers etc.*: except to the extent permitted under the TEFRA D Rules:

(i) *No offers etc. to United States or United States persons*: it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

(ii) *No delivery of definitive Notes in the United States:* it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period,

(b) *Internal procedures:* it has, and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(c) *Additional provision if United States person*: if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in paragraph (a) (*Restrictions on offers, etc.*), paragraph (b) (*Internal procedures*) and paragraph (c) (*Additional provision if United States person*) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in paragraphs (a), (b) and (c).

The TEFRA C Rules

Where the TEFRA C Rules are specified in the relevant Pricing Supplement or the Subscription Agreement as being applicable in relation to any Tranche of Bearer Notes, the Notes in bearer form must be issued and delivered outside the United States and its possessions, in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed:

(a) *No offers etc. in United States:* it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance; and

(b) *No communications with United States:* in connection with these original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its United States office in the offer and sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA C Rules.

Interpretation

Terms used in the paragraph "*Dealers*' *compliance with United States securities laws*" have the meanings given to them by Regulation S under the Securities Act. Terms used in the paragraphs "*The TEFRA D Rules*" and "*The TEFRA C Rules*" have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the TEFRA C Rules and the TEFRA D Rules.

Index-, commodity- or currency-linked Notes

Each issuance of index-, commodity- or currency-linked Notes shall be subject to additional US selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall offer, sell and deliver such Notes only in compliance with such additional US selling restrictions.

European Economic Area

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not 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 (the "**EEA**"). 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 MiFID II; or

  (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in 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 the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) *Approved prospectus:* if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified Investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees:* at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers:* at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes; and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not 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 the UK Prospectus Regulation; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed, 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, or, in the case of the Guarantor would not, if it was not an authorised person, apply to the Issuer or the Guarantor.

(c) *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

Each Dealer has understood, and each further Dealer appointed under the Programme will be required to understand that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC 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) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (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 under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

British Virgin Islands

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that no invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for any of the Notes.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respects with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular, any other offering or publicity material and any applicable Pricing Supplement.

None of the Issuer, the Guarantor, the Fiscal Agent or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the Relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the Relevant Dealer(s) as set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. Listing

Application will be made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Notes may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be listed on the Hong Kong Stock Exchange or admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and the Guarantor. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies). Separate application will be made for the listing of the Notes on the Hong Kong Stock Exchange.

2. Authorisation

The establishment and update of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 14 July 2021. The giving of the Guarantee of the Notes was authorised by a resolution of the board of directors of the Guarantor passed on 29 June 2021. Each of the Issuer and the Guarantor has obtained, or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue of the Notes and the performance of their respective obligations under the Notes and the Guarantee of the Notes.

3. Legal and Arbitration Proceedings

None of the Issuer or the Guarantor is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial or trading position or profitability of the Issuer or the Guarantor.

4. Significant/Material Change

Unless otherwise disclosed in this Offering Circular, since 31 December 2020, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position or prospects of the Guarantor and since the date of incorporation of the Issuer, there has been no material adverse change in the financial or trading position or prospects of the Issuer.

5. Auditor

The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by KPMG, as stated in its reports appearing herein.

6. Documents on Display

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the office of the Guarantor at 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong and the specified office of the Fiscal Agent at 13/F, Tower 1, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

(i) the memorandum and articles of association of the Issuer and the Guarantor;

(ii) the audited consolidated financial statements as at and for the years ended 31 December 2019 and 31 December 2020, respectively;

(iii) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area or the UK nor offered in the European Economic Area or the UK in circumstances where a prospectus is required to be published under the Prospectus Regulation or, as the case maybe, the UK Prospectus Regulation, will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(iv) a copy of this Offering Circular together with any Supplement to this Offering Circular;

(v) the Deed of Guarantee;

(vi) the Deed of Covenant;

(vii) the Agency Agreement (which contains the forms of the Notes in global and definitive form); and

(viii) the Programme Manual.

7. Clearing of the Notes

The Notes may be accepted for clearance through Euroclear, Clearstream and CMU. The appropriate CMU instrument number, common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

8. National Development and Reform Commission filings

On 14 September 2015, the National Development and Reform Commission (the "**NDRC**") promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No 2044) (the "**NDRC Notice**") (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知), which came into effect on the same day. According to the current interpretation of the NDRC Notice, if a PRC enterprise or an offshore enterprise or branch controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the "**Pre-Issuance Registration Certificate**"). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 working days of the completion of the bond issue (the "**Post-Issuance Filing**"). Failure to complete the Post-Issuance Filing will not adversely affect the validity of the relevant bonds issued by the enterprise from time to time.

INDEX TO FINANCIAL STATEMENTS

Note: The Guarantor's consolidated financial statements as of and for the years ended 31 December 2019 and 2020 set forth herein have been reproduced from the Guarantor's annual reports for the year ended 31 December 2019 and 2020 and page references are references to pages set forth in such annual reports.

KPMG

Independent auditor's report to the member of ICBC International Holdings Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of ICBC International Holdings Limited and its subsidiaries (the "Group") set out on pages 7 to 102, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Independent auditor's report to the member of ICBC International Holdings Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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. This 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

KPMG

Independent auditor's report to the members of ICBC International Holdings Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 APR 2021

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
Revenue	4	3,494,650	3,760,918
Other net income	4	2,172,602	1,582,786
		5,667,252	5,343,704
Staff costs	5	(1,012,001)	(819,835)
Other operating expenses	7	(1,100,779)	(631,644)
Finance costs	8	(1,515,292)	(1,941,952)
Net charge of expected credit loss	22	(92,517)	(59,247)
		(3,720,589)	(3,452,678)
Profit from operations		1,946,663	1,891,026
Share of profits of joint ventures	9	180,459	37,066
Share of profits/(losses) of associates	10	187,230	(57,332)
Profit before tax		2,314,352	1,870,760
Tax charge	11(a)	(382,579)	(320,144)
Profit for the year		1,931,773	1,550,616
Attributable to:			
Equity shareholders of the Company		1,931,751	1,550,616
Non-controlling interests		22	-
Profit for the year		1,931,773	1,550,616

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) investments:			
Change in fair value of FVOCI investment (non-recycling)		3,870	(11,284)
Items that may be reclassified subsequently to profit or loss:			
Financial assets at FVOCI investment:			
Change in fair value of FVOCI investment (recycling)		115,007	610,304
Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments		(20,824)	32,849
Expected credit loss on FVOCI investment		50,358	15,432
Deferred tax effect		(23,849)	(124,126)
		120,692	534,459
Hedging reserve:			
Cash flow hedge: movement in the hedging reserve		21,067	(60,991)
Deferred tax effect		11,760	-
		32,827	(60,991)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
Exchange differences on translation of foreign operations		29,912	(21,290)
Other comprehensive income for the year, net of tax		187,301	440,894
Total comprehensive income for the year		2,119,074	1,991,510
Attributable to:			
Equity shareholders of the Company		2,119,052	1,991,500
Non-controlling interests		22	10
Total comprehensive income for the year		2,119,074	1,991,510

The notes on pages 17 to 102 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
ASSETS			
Cash and cash equivalents	12(a)	8,383,092	4,506,578
Term deposits	12(c)	7,433,923	6,900,577
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	13(a)	4,190,803	4,277,254
Financial assets at fair value through profit or loss	14	13,201,414	16,738,494
Financial assets at fair value through other comprehensive income	15	9,453,512	10,213,384
Derivative financial assets	16	77,345	1,629
Financial assets purchased under resell agreement	26	177,032	-
Prepayments, deposits and other receivables	17	1,556,017	1,380,004
Accounts receivable	18	209,497	79,710
Loans receivable	19(a)	10,930,293	15,584,710
Investments in joint ventures	9	5,996,960	6,005,973
Investments in associates	10	682,489	965,784
Property, plant and equipment	21	554,683	159,962
Other assets		23,981	5,902
Tax recoverable	24	24,475	13,309
Deferred tax assets	23	100,346	66,726
TOTAL ASSETS		62,995,862	66,899,996
LIABILITIES			
Bank loans	25	27,465,027	36,126,283
Financial assets sold under repurchase agreements	27	924,120	570,186
Medium-term notes	28	16,259,693	15,955,046
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	13(b)	664,435	565,390
Financial liabilities at fair value through profit or loss	14	682,014	527,363
Derivative financial liabilities	16	168,044	94,208
Lease liabilities	20	509,859	117,597
Other payables and accruals	30	2,762,945	1,657,288
Tax payable	24	247,803	316,700
Deferred tax liabilities	23	490,678	267,765
TOTAL LIABILITIES		50,174,618	56,197,826

Consolidated statement of financial position as at 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
EQUITY			
Share capital	31	4,881,851	4,881,851
Retained profits		7,928,475	5,996,724
Reserves	32	(57,220)	(244,521)
Total equity attributable to equity shareholders of the Company		12,753,106	10,634,054
Non-controlling interests		68,138	68,116
TOTAL EQUITY		12,821,244	10,702,170
TOTAL EQUITY AND LIABILITIES		62,995,862	66,899,996

Approved and authorised for issue by the board of directors on 16 APR 2021

An Liyan)
) Directors
Gao Dong)

The notes on pages 17 to 102 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Attributable to equity shareholder of the Company								
	Share capital $'000 (note 31)	Retained profits $'000	Exchange and other reserves $'000 (note 32)	FVOCI investment revaluation reserve (recycling) $'000 (note 32)	FVOCI investment revaluation reserve (non-recycling) $'000 (note 32)	Hedging reserve $'000 (note 32)	Sub-total $'000	Non-controlling interests $'000	Total $'000
At 1 January 2020	4,881,851	5,996,724	(21,205)	(119,698)	(11,284)	(92,334)	10,634,054	68,116	10,702,170
Profit for the year	-	1,931,751	-	-	-	-	1,931,751	22	1,931,773
Other comprehensive income:									
- Change in fair value of FVOCI investment (recycling)	-	-	-	115,007	-	-	115,007	-	115,007
- Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments	-	-	-	(20,824)	-	-	(20,824)	-	(20,824)
- Expected credit loss on FVOCI investment	-	-	-	50,358	-	-	50,358	-	50,358
- Change in fair value of FVOCI investment (non-recycling)	-	-	-	-	3,870	-	3,870	-	3,870
- Exchange differences on translation of foreign operations	-	-	29,912	-	-	-	29,912	-	29,912
- Cash flow hedge: net movement in the hedging reserve	-	-	-	-	-	21,067	21,067	-	21,067
- Deferred tax effect	-	-	-	(23,849)	-	11,760	(12,089)	-	(12,089)
Total comprehensive income for the year	-	1,931,751	29,912	120,692	3,870	32,827	2,119,052	22	2,119,074
At 31 December 2020	4,881,851	7,928,475	8,707	994	(7,414)	(59,507)	12,753,106	68,138	12,821,244

Consolidated statement of changes in equity for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholder of the Company								
	Share capital $'000 (note 31)	*Retained profits* $'000	*Exchange and other reserves* $'000 (note 32)	*FVOCI investment revaluation reserve (recycling)* $'000 (note 32)	*FVOCI investment revaluation reserve (non-recycling)* $'000 (note 32)	*Hedging reserve* $'000 (note 32)	*Sub-total* $'000	*Non-controlling interests* $'000	*Total* $'000
At 1 January 2019	4,881,851	4,453,710	161	(654,157)	-	(31,343)	8,650,222	68,106	8,718,328
Profit for the year	-	1,550,616	-	-	-	-	1,550,616	-	1,550,616
Other comprehensive income:									
- Change in fair value of FVOCI investment	-	-	-	610,304	(11,284)	-	599,020	-	599,020
- Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments	-	-	-	32,849	-	-	32,849	-	32,849
- Expected credit loss on FVOCI investment	-	-	-	15,432	-	-	15,432	-	15,432
- Exchange differences on translation of foreign operations	-	-	(21,300)	-	-	-	(21,300)	10	(21,290)
- Cash flow hedge: net movement in the hedging reserve	-	-	-	-	-	(60,991)	(60,991)	-	(60,991)
- Deferred tax effect	-	-	-	(124,126)	-	-	(124,126)	-	(124,126)
Total comprehensive income for the year	-	1,550,616	(21,300)	534,459	(11,284)	(60,991)	1,991,500	10	1,991,510
	4,881,851	6,004,326	(21,139)	(119,698)	(11,284)	(92,334)	10,641,722	68,116	10,709,838
- Acquisition of a subsidiary	-	(7,602)	(66)	-	-	-	(7,668)	-	(7,668)
At 31 December 2019	4,881,851	5,996,724	(21,205)	(119,698)	(11,284)	(92,334)	10,634,054	68,116	10,702,170

The notes on pages 17 to 102 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* $'000	*2019* $'000
Operating activities			
Profit before tax		2,314,352	1,870,760
Adjustments for:			
Interest income	4	(2,463,689)	(2,997,418)
Finance costs	8	1,515,292	1,941,952
Net realised and unrealised gains on financial assets at FVPL	4	(1,874,686)	(1,131,321)
Net realised and unrealised gains on derivative financial instruments	4	-	(272,947)
Net realised and unrealised (gains)/losses on financial liabilities at FVPL	4	(43,308)	1,853
Net realised (gains)/losses on disposal of financial assets at FVOCI	4	(20,824)	32,849
Share of profits of joint ventures measured at equity method		(180,459)	(37,066)
Share of (profits)/losses of associates measured at equity method		(187,230)	57,332
Net charge of expected credit loss	22	92,517	59,247
Depreciation	21(a)	171,187	135,175
Operating loss before changes in working capital		(676,848)	(339,584)
(Increase)/decrease in operating assets:			
- Term deposits		(533,498)	(3,276,208)
- Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts		84,834	410,855
- Financial assets at FVPL		5,127,521	(543,465)
- Financial assets at FVOCI		878,749	(524,892)
- Derivative financial assets		(75,716)	5,530
- Financial assets purchased under resell agreement		(177,032)	-
- Prepayments, deposits and other receivables		14,854	869,940
- Accounts receivable		(129,670)	20,875
- Loans receivable		4,617,296	1,720,188
- Other assets		(18,079)	(546)

Consolidated cash flow statement for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Operating activities (continued)			
Increase/(decrease) in operating liabilities:			
- Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts		99,045	524,194
- Financial liabilities at FVPL		197,959	(136,403)
- Derivative financial liabilities		94,266	252,284
- Other payables and accruals		1,216,703	89,938
Cash generated from/(used in) operations		10,720,384	(927,294)
Interest received		2,268,121	2,654,131
Interest paid		(1,487,511)	(1,846,848)
Hong Kong Profits Tax (paid)/refunded		(269,924)	93,526
Overseas tax paid		(10,287)	(8,046)
Net cash generated from/(used in) operating activities		11,220,783	(34,531)
Investing activities			
Payment for purchase of property, plant and equipment	21(a)	(41,816)	(44,138)
Proceeds from disposal of property, plant and equipment	21(a)	-	4,900
Derecognition of right-of-use assets	21(a)	32	-
Proceeds from/(payment for) investment in joint ventures and associates, net		544,610	(137,426)
Acquisition of a subsidiary		-	(11,309)
Dividend received from associates		21,592	10,941
Dividend received from joint ventures		378,040	172,470
Net cash generated from/(used in) investing activities		902,458	(4,562)

Consolidated cash flow statement for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Financing activities			
Proceeds from medium-term notes	12(b)	5,408,006	5,484,286
Repayment of medium-term notes	12(b)	(5,067,436)	(5,480,925)
(Repayment of)/proceeds from bank loans from related companies, net	12(b)	(4,660,970)	2,388,362
Repayment of other bank loans, net	12(b)	(4,000,286)	(2,106,810)
Proceeds from/(repayment of) financial assets sold under repurchase agreements, net	12(b)	340,342	(748,772)
Capital element of lease rentals paid	12(b)	(129,398)	(111,826)
Interest element of lease rentals paid	12(b)	(13,329)	(5,724)
Net payment of interest rate swap	12(b)	(104,894)	(22,918)
Net cash used in financing activities		(8,227,965)	(604,327)
Net increase/(decrease) in cash and cash equivalents		3,895,276	(643,420)
Cash and cash equivalents at the beginning of year	12(a)	4,506,578	5,166,863
Effect of foreign exchange rate changes		(18,762)	(16,865)
Cash and cash equivalents at the end of year	12(a)	8,383,092	4,506,578

The notes on pages 17 to 102 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate information

ICBC International Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and together with its subsidiaries (known as the "Group" hereafter) has its registered office and principal place of business at 37/F, ICBC Tower, 3 Garden Road, Hong Kong.

During the year, the Company together with its subsidiaries were involved in the following principal activities:

- securities brokerage, margin financing and underwriting
- dealing in futures and options contracts
- provision of credit facilities and financing
- provision of investment consultancy services
- investment holding
- provision of asset management services
- provision of corporate finance and financial advisory services

At 31 December 2020, the directors consider the immediate holding company and the ultimate holding company of the Company to be Industrial and Commercial Bank of China Limited, which is incorporated in the People's Republic of China ("PRC"). The ultimate holding company produces financial statements available for public use.

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and its subsidiaries and the Group's interest in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out in note 2.4:

- Financial assets/liabilities at fair value through profit or loss;

- Derivative financial instruments;

- Financial assets at fair value through other comprehensive income; and

- Investment in joint ventures and associates, designated at fair value through profit or loss.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.4 Summary of significant accounting policies

(a) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Group. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Group. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with the respective accounting policies discussed in note 2.4 depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 Summary of significant accounting policies (continued)

(b) Joint ventures and associates

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in a joint venture or an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or designated at fair value through profit or loss.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture or associate that form parts of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss (see note 2.4(i)(2)) relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture or associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture or significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control or significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.4(f)).

2.4 Summary of significant accounting policies (continued)

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2.4(i)(2)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) or designed at fair value through profit or loss

When an investment in a joint venture or an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, such investment is exempted from applying equity method and is recognised as a financial asset at fair value through profit or loss in the Group's consolidated and Company's statement of financial position (see note 2.4(f)) .

(c) Related parties

(I) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(II) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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.
- (vi) The entity is controlled or jointly controlled by a person identified in (I).
- (vii) A person identified in (I)(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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.4 Summary of significant accounting policies (continued)

(d) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4 (e) and (i)(2)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.4 Summary of significant accounting policies (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(e) *Property, plant and equipment and depreciation*

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.4(i)(2)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- Land and buildings	Over the shorter of the unexpired period of lease and 30 years
- Other properties leased for own use carried at cost	Over the unexpired period of lease
- Leasehold improvements	Over the unexpired period of lease
- Furniture, fixtures and office equipment	18% to 50%
- Computer equipment	19% to 33.3%
- Motor vehicles	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of significant accounting policies (continued)

(f) Investments

The Group's policies for investment other than investments in subsidiaries, joint ventures and associates, are set out below.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 36(a). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.4(r)).

- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2.4(r).

2.4 Summary of significant accounting policies (continued)

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2.4(h)).

(h) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges).

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

2.4 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets

(1) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, term deposits, accounts receivable, deposits and other receivables and loans receivable, which are held for collection of contractual cash flows that represents solely payments of principal and interest);

- debt securities measured at FVOCI (recycling); and

- loan commitments issued, which are not measured at FVPL.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expected to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- loan commitments: current risk-free rate adjusted for risk specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2.4 Summary of significant accounting policies (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including loan commitments) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

2.4 Summary of significant accounting policies (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2.4(r) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.4 Summary of significant accounting policies (continued)

(2) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets; and

- investments in subsidiaries, joint ventures and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.4 Summary of significant accounting policies (continued)

(j) 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 derecognised when:

- the rights to receive cash flows from the asset have expired;

- 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, bank loans, accounts payable and derivative financial instruments.

2.4 Summary of significant accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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 finance costs in profit or loss.

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.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. This category 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

(l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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.

2.4 Summary of significant accounting policies (continued)

(n) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; option pricing models or any other valuation models.

(o) Cash and cash equivalents and term deposits

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with a short maturity of within three months when acquired, which are not restricted to use.

Term deposits with a longer maturity of more than three months when acquired are presented separately as term deposits.

Cash and cash equivalents and term deposits are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.4(i)(1).

(p) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increased in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 Summary of significant accounting policies (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2.4 Summary of significant accounting policies (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

- All transactions related to securities trading, futures and options contracts dealings and commission income are recorded in the financial statements based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting year have been taken into account.

- Revenue on service contracts in respect of advisory, underwriting, sub-underwriting and placement of securities is recognised in the financial statements once the performance obligations under the contract have been performed and the Group is expected to be entitled to the promised consideration.

2.4 Summary of significant accounting policies (continued)

- Asset management fees are recognised on a time-proportion basis with reference to the net asset value of the managed accounts. Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period. Front-end fees are recognised on a straight-line basis over the estimated holding periods of the investors in the managed accounts. Any unrecognised amounts are treated as deferred income.

- Interest income is recognised as it accrues using the effective interest rate method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.4(i)(1)).

- Dividend income is recognised, gross of withholding tax, when the shareholder's right to receive payment is established.

- Revenue on service contracts in respect of consultancy is recognised in the financial statements once the performance obligations under the contract has been substantively performed and the Group is expected to be entitled to the promised consideration.

(s) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year or prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated included in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 Summary of significant accounting policies (continued)

For the purpose of the cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

Profit sharing and bonus plans

There are no profit-sharing plans in relation to the performance of the Group itself. The Group has a discretionary bonus plan which is based on the performance of the individual as well as the performance of the Group and its subsidiaries. Liabilities for payments under the discretionary bonus plan are recognised when the Group has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 Summary of significant accounting policies (continued)

(v) Accounts receivable and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.4(i)(1)).

(w) Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements with a commitment to repurchase at a specific future date continue to be recognised, which do not result in derecognition of the financial assets in the consolidated statement of financial position, and are recorded as financial assets at fair value through other comprehensive income. The proceeds from selling such assets are presented as "cash and cash equivalents" and "financial assets sold under repurchase agreements" in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

(x) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.4(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.4(v)).

3 Significant accounting estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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 are discussed below.

3 Significant accounting estimates (continued)

Fair value of convertible financial instruments and other unlisted investments

The Group's investments in convertible financial instruments and other unlisted investments are carried as unlisted debt or equity securities in financial assets at fair value through profit or loss. The Group also designates certain investments in joint venture and associates at fair value through profit or loss.

The fair value of these investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. These valuations require level of judgement of the Group to make estimates about expected future cash flows, credit risks, discount rates, volatilities and operating results. The inclusion of these estimates in determining the fair values are subject to uncertainty. As at 31 December 2020, the aggregate fair value of the convertible financial instruments and unlisted investments was approximately $9,664,276,000 (2019: $9,692,932,000). The aggregate fair value of investment in joint ventures designated at fair value through profit or loss was approximately $4,980,717,000 (2019: $5,085,203,000). Further details of these investments are included in notes 9, 10, 14, 16 and 36.

Deferred tax assets

The Group recognises deferred tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. As at 31 December 2020, deferred tax assets of $100,346,000 (2019: $66,726,000) have been recognised.

Determining the lease term

As explained in policy note 2.4(d), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 Revenue and other net income

The principal activities of the Group are investment holding, provision of corporate finance, financial advisory, research, asset management, brokerage, underwriting and securities margin financing services. An analysis of revenue and other net income is as follows:

	2020 $'000	*2019* $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Corporate finance advisory fee	225,982	312,103
Underwriting and placing commission for securities listed on		
- the Stock Exchange of Hong Kong Limited	167,894	164,882
- overseas exchanges	49,546	33,070
	217,440	197,952
Asset management fee	72,990	85,004
Brokerage commission for securities dealing on		
- the Stock Exchange of Hong Kong Limited	47,612	70,867
- overseas exchanges	7,853	3,768
	55,465	74,635
Service income	459,084	93,806
Interest income calculated using the effective interest method		
Interest income from		
- loans to customers	802,927	1,139,690
- financial assets at FVOCI: listed debt securities	620,225	687,547
- margin clients	170,849	230,605
- authorised institutions	394,242	238,412
- general clients	8,968	1,500
	1,997,211	2,297,754
Other interest income		
Interest income from financial assets at FVPL		
- listed debt securities	298,593	441,086
- unlisted debt securities	167,885	258,578
	466,478	699,664
	3,494,650	3,760,918

4 Revenue and other net income (continued)

The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

	2020	2019
	$'000	$'000
Other net income		
Dividend income	131,654	123,745
Net realised and unrealised gains/(losses) on		
- financial assets at FVPL	1,874,686	1,131,321
- financial liabilities at FVPL	43,308	(1,853)
- bond trading business	55,939	63,644
- currency contracts	(13,883)	8,684
- derivative financial instruments	-	272,947
Net realised gains/(losses) on disposal of		
- financial assets at FVOCI	20,824	(32,849)
- investment in associates	(28,396)	-
- investment in joint ventures	29,103	-
Trading income on market making of RMB currency contracts	1,050	561
Net exchange gains/(losses)	38,508	(35,350)
Others	19,809	51,936
	2,172,602	1,582,786
Total revenue	5,667,252	5,343,704

5 Staff costs

	2020	2019
	$'000	$'000
Salaries and allowances	972,621	778,496
Pension scheme contributions	38,593	36,514
Long term employee benefits	787	4,825
	1,012,001	819,835

Staff costs include directors' emoluments (note 6).

6 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020 $'000	*2019* $'000
Fees	-	-
Other emoluments:		
- Salaries, bonuses and allowances	9,085	14,034
- Pension scheme contributions	652	842
	9,737	14,876

The amount of the total other emoluments has not yet been determined as the evaluation has not been completed.

7 Other operating expenses

	2020 $'000	*2019* $'000
Depreciation charge (note 21(a))		
- owned property, plant and equipment	36,089	22,287
- right-of-use assets (note 21(b))	135,098	112,888
Technology and communication costs	61,427	53,660
Project sharing expenses	62,360	58,077
Travel and entertainment expenses	13,273	43,678
Legal and professional fees	31,538	34,150
Other office expenses	27,157	22,179
Auditors' remuneration	4,366	3,882
Brokerage and commission expenses for securities and futures dealing businesses	20,251	44,284
Other administrative expenses	99,015	61,009
Research and development expenses	277,979	25,335
Withholding tax	332,226	150,215
	1,100,779	631,644

8 Finance costs

	2020 $'000	2019 $'000
Interest expense to:		
- margin clients	71	866
- general clients	152	434
- medium-term notes	380,454	633,213
- other loan payable	68,889	102,443
- authorised institutions repayable within five years	946,866	1,176,104
	1,396,432	1,913,060
Interest on lease liabilities (note 21(b))	13,329	5,724
Interest-rate swap: cash flow hedges, reclassified from equity	105,531	23,168
	1,515,292	1,941,952

9 Investments in joint ventures

	2020 $'000	2019 $'000
Investments in joint ventures		
- at equity method	1,016,243	920,770
- designated at fair value through profit or loss	4,980,717	5,085,203
	5,996,960	6,005,973

9 Investments in joint ventures (continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted entities whose quoted market price is not available:

Name	Place of incorporation	Particulars of issued capital	Proportion of ownership interest: Group's effective interest	Interest held directly	Interest held indirectly	Principal activities
SOL Property Fund III LP*	Cayman Islands	RMB1,800,000,000	50%	-	50%	Property Investment (Note 1)
Yupei Logistics Property Fund I LP*	Cayman Islands	USD237,313,737	49%	-	49%	Property Investment (Note 2)
Glory Star Financial Towers LP*	Cayman Islands	USD162,937,803	55.2%	-	55.2%	Property Investment (Note 3)
Cruise Fund ELP #	Cayman Islands	RMB941,372,730	70%	-	70%	Property Investment (Note 4)
上海久冶实业有限公司*	People's Republic of China	RMB400,000,000	50%	-	50%	Construction (Note 5)
北京金融街国际酒店*	People's Republic of China	RMB48,852,214	34%	-	34%	Property leasing and management (Note 6)
SO CTCO Investments LP*	Cayman Islands	USD100,000,000	50%	-	50%	Investment Holding (Note 7)
Sun Seeker LP*	Cayman Islands	USD135,292,258	48.5%	-	48.5%	Property investment (Note 8)
天津工銀國際投資顧問合夥企業 (有限合夥)*	People's Republic of China	RMB2,000,000	50%	-	50%	Investment Advisory (Note 9)
天津工銀國際資本經營合夥企業 (有限合夥)*	People's Republic of China	RMB15,510,000	67.76%	-	67.76%	Investment Holding (Note 10)

\# *Interest in these joint ventures are accounted for using the equity method.*

* *Interest in these joint ventures are measured in fair value through profit or loss.*

9 Investments in joint ventures (continued)

Note 1: SOL Property Fund III LP is a partnership established in the Cayman Islands in 2016. SOL Property Fund III LP is mainly engaged in property investment.

Note 2: Yupei Logistics Property Fund I LP is a partnership established in the Cayman Islands in 2018. Yupei Logistics Property Fund I LP is mainly engaged in property investment.

Note 3: Glory Star Financial Towers Limited Partnership is a partnership established in the Cayman Islands. Glory Star Financial Towers Limited Partnership is mainly engaged in property investment.

Note 4: Cruise Fund ELP is an exempted limited partnership established in the Cayman Islands in 2016. Cruise Fund ELP is mainly engaged in property investment.

Note 5: 上海久冶实业有限公司 was incorporated in the People's Republic of China in 2017, engaging in construction and import and export business.

Note 6: 北京金融街国际酒店 was incorporated in the People's Republic of China in 2008, engaging in property leasing and management.

The Group has provided a loan facility of RMB20,400,000 to 北京金融街国际酒店. The loan is unsecured, interest-bearing and repayable within 1 year. The interest rate is 9% per annum.

Note 7: SO CTCO Investments LP was established by the Group with a private company in Hong Kong in 2019 to carry out investment holding activity in Asia Pacific.

Note 8: Sun Seeker LP was incorporated in the Cayman Islands engaging in property investment.

Note 9: 天津工銀國際投資顧問合夥企業 (有限合夥) was established by the Group with a private company in Hong Kong in 2011 to carry out investment advisory activity in Mainland China.

Note 10: 天津工銀國際資本經營合夥企業 (有限合夥) was established by the Group with a private company in Hong Kong in 2011 to carry out fund setting up and investment management activity in Mainland China.

9 Investments in joint ventures (continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	SOL Property Fund III LP		*Yupei Logistics Property Fund I LP*	
	** 2020*	** 2019*	** 2020*	** 2019*
Gross amounts of the joint ventures'	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	1,858,897	1,794,265	102,214	124,500
Non-current assets	3,458	-	2,693,716	2,627,450
Current liabilities	44,244	22,682	255,049	295,602
Non-current liabilities	-	-	876,823	770,271
Equity	1,818,111	1,771,583	1,664,058	1,686,077
Included in the above assets and liabilities				
Cash and cash equivalents	-	-	36,773	85,649
Current financial liabilities (excluding trade and other payables and provisions)	-	-	65,551	60,040
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	550,405	481,953
Revenue	64,632	(5,735)	143,382	102,530
Profits from continuing operations	46,527	(28,417)	77,493	70,718
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	46,527	(28,417)	77,493	70,718
Dividend received from the joint venture	-	-	48,523	48,736
Included in the above profit/(loss)				
Interest income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	-	-	-	-
Income tax expense	-	-	(24,964)	(23,739)
Reconciled to the Group's interest in the joint ventures	HKD'000	HKD'000	HKD'000	HKD'000
Profit/(loss) for the year	55,153	(31,781)	91,860	79,090
Group's effective interest	50%	50%	49%	49%
	27,577	(15,891)	45,011	38,754
Carrying amount in the consolidated financial statements as at 1 January	1,117,240	1,022,860	960,456	911,059
Dividend received	-	-	(57,519)	(54,505)
Fair value adjustment	-	-	-	-
Capital injection/(redemption)	-	-	-	-
Others	65,101	110,271	57,381	65,148
Carrying amount in the consolidated financial statements as at 31 December	1,209,918	1,117,240	1,005,329	960,456

* *Financial information is extracted from unaudited financial statements of joint ventures.*

9 Investments in joint ventures (continued)

	Glory Star Financial Towers LP		*Cruise Fund ELP*	
	** 2020*	** 2019*	** 2020*	*2019*
Gross amounts of the joint ventures'	USD'000	USD'000	RMB'000	RMB'000
Current assets	4,262	-	277,132	225,528
Non-current assets	222,326	266,925	3,107,473	3,107,251
Current liabilities	3,272	5,616	60,458	61,102
Non-current liabilities	-	-	2,341,196	2,382,016
Equity	223,316	261,309	982,951	889,661
Included in the above assets and liabilities				
Cash and cash equivalents	62	-	254,993	221,474
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	1,768,583	1,811,034
Revenue	4,726	-	101,642	129,715
Profits from continuing operations	7,031	(14,855)	84,371	(88,750)
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	7,031	(14,855)	84,371	(88,750)
Dividend received from the joint venture	-	-	-	-
Included in the above profit/(loss)				
Interest income	-	-	-	-
Interest expense	-	-	42,958	(110,915)
Depreciation and amortisation	-	-	-	(554)
Income tax expense	-	-	(16,581)	(22,842)
Reconciled to the Group's interest in the joint ventures	HKD'000	HKD'000	HKD'000	HKD'000
Profit/(loss) for the year	54,504	(115,684)	100,013	(99,256)
Group's effective interest	55.2%	55.2%	70%	70%
	30,086	(63,858)	70,009	(69,479)
Carrying amount in the consolidated financial statements as at 1 January	982,639	1,148,265	705,678	718,987
Dividend received	-	-	-	-
Fair value adjustment	-	-	-	-
Capital (redemption)/injection	(198,390)	(66,862)	7,378	20,367
Others	23,844	(34,906)	(3,228)	35,803
Carrying amount in the consolidated financial statements as at 31 December	838,179	982,639	779,837	705,678

* *Financial information is extracted from unaudited financial statements of joint ventures.*

9 Investments in joint ventures (continued)

	上海久冶实业有限公司		*北京金融街国际酒店*	
	** 2020*	*2019*	** 2020*	*2019*
Gross amounts of the joint ventures'	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	514,967	489,572	140,468	30,618
Non-current assets	1,925,606	1,925,606	659,492	577,421
Current liabilities	763,777	624,300	173,251	72,999
Non-current liabilities	837,500	904,000	1,059,731	1,054,280
Equity	839,296	886,878	(433,022)	(519,240)
Included in the above assets and liabilities				
Cash and cash equivalents	45,731	20,406	10,899	21,022
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	837,500	904,000	1,059,731	1,054,280
Revenue	-	-	57,961	72,586
Profits from continuing operations	(47,582)	(52,500)	37,997	(43,207)
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	(47,582)	(52,500)	37,997	(43,207)
Dividend received from the joint venture	-	-	-	-
Included in the above profit/(loss)				
Interest income	121	127	-	69
Interest expense	(47,387)	(48,954)	(54,660)	(49,819)
Depreciation and amortisation	-	-	-	(7,045)
Income tax expense	-	-	-	-
Reconciled to the Group's interest in the joint ventures	HKD'000	HKD'000	HKD'000	HKD'000
(Loss)/profit for the year	(56,403)	(58,715)	45,041	(48,322)
Group's effective interest	50%	50%	34%	34%
	(28,202)	(29,358)	15,314	(16,429)
Carrying amount in the consolidated financial statements as at 1 January	646,078	627,005	611,790	751,587
Dividend received	-	-	-	-
Fair value adjustment	-	-	(44,452)	(385,842)
Capital injection/(redemption)	-	-	-	-
Others	99,693	48,431	24,168	262,474
Carrying amount in the consolidated financial statements as at 31 December	717,569	646,078	606,820	611,790

* *Financial information is extracted from unaudited financial statements of joint ventures.*

9 Investments in joint ventures (continued)

	SO CTCO Investment LP		*Sun Seeker LP*	
	** 2020*	** 2019*	** 2020*	** 2019*
Gross amounts of the joint ventures'	USD'000	USD'000	USD'000	USD'000
Current assets	4	69	227,208	389,779
Non-current assets	101,086	100,989	492,003	445,510
Current liabilities	2,160	65	499,686	350,058
Non-current liabilities	-	-	113,772	375,609
Equity	98,930	100,993	105,753	109,622
Included in the above assets and liabilities				
Cash and cash equivalents	4	58	43,165	56,544
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	37,864	283,879
Revenue	-	-	168,861	20,172
Profits from continuing operations	(2,063)	5,263	(41,657)	2,773
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	-	-	27,183	(47,239)
Total comprehensive income	(2,063)	5,263	(14,474)	(44,466)
Dividend received from the joint venture	-	-	-	-
Included in the above profit/(loss)				
Interest income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	-	-	-	-
Income tax expense	-	-	9,438	8,424
Reconciled to the Group's interest in the joint ventures	HKD'000	HKD'000	HKD'000	HKD'000
(Loss)/profit for the year	(15,992)	40,986	(112,202)	(346,281)
Group's effective interest	50%	50%	48.5%	48.5%
	(7,996)	20,493	(54,418)	(167,946)
Carrying amount in the consolidated financial statements as at 1 January	389,378	391,573	224,955	304,579
Dividend received	-	-	-	-
Fair value adjustment	-	-	-	-
Capital injection	-	-	-	23,643
Others	6,215	(22,688)	44,768	64,679
Carrying amount in the consolidated financial statements as at 31 December	387,597	389,378	215,305	224,955

* *Financial information is extracted from unaudited financial statements of joint ventures.*

9 Investments in joint ventures (continued)

	天津工銀國際資本經營合夥企業 (有限合夥)		天津工銀國際投資顧問合夥企業 (有限合夥)	
	2020	*2019*	*2020*	*2019*
Gross amounts of the joint ventures'	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	131,872	73,348	185,991	250,311
Non-current assets	13,359	13,383	18,521	18,851
Current liabilities	22,172	49,279	33,958	40,651
Non-current liabilities	-	-	-	-
Equity	123,059	37,452	170,554	228,511
Included in the above assets and liabilities				
Cash and cash equivalents	131,357	46,620	162,707	218,376
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-
Revenue	-	1,868	119,020	138,869
Profits from continuing operations	103,529	17,778	75,049	85,482
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	103,529	17,778	75,049	85,482
Dividend received from the joint venture	8,885	31,374	74,228	119,538
Included in the above profit/(loss)				
Interest income	652	2,550	5,388	7,178
Interest expense	-	-	-	-
Depreciation and amortisation	-	-	424	641
Income tax expense	-	-	-	-
Reconciled to the Group's interest in the joint ventures	HKD'000	HKD'000	HKD'000	HKD'000
Profit for the year	122,723	19,883	88,963	95,602
Group's effective interest	50%	50%	67.76%	67.76%
	61,362	9,942	60,281	64,780
Carrying amount in the consolidated financial statements as at 1 January	22,096	47,643	139,161	228,476
Dividend received	(10,532)	(35,088)	(87,989)	(133,689)
Fair value adjustment	-	-	-	-
Capital injection/(redemption)	-	-	-	-
Others	870	(401)	(9,927)	(20,406)
Carrying amount in the consolidated financial statements as at 31 December	73,796	22,096	101,526	139,161

9 Investments in joint ventures (continued)

Aggregate information of joint ventures accounted for using equity method that are not individually material:

	2020 $'000	*2019* $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	61,084	206,502
Aggregate amounts of the Group's share of those joint ventures'		
Profits from continuing operations	11,370	24,625
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	11,370	24,625

10 Investments in associates

	2020 $'000	2019 $'000
Investments in associates, at equity method	682,489	965,784

The following list contains only the particulars of material associates, all of which are unlisted entities whose quoted market price is not available:

Name	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest: Group's effective interest	Interest held directly	Interest held indirectly	Principal activities
Ivory SL Joint Venture Limited *	Cayman Islands	USD112,262,342	33.3%	-	33.3%	Investment holdings (note 1)
Scape Australia (CUB) Trust *	Australia	AUD40,291,401	21.6%	-	21.6%	Student accommodation facility (note 2)
北京中经惠众科技有限公司 *	People's Republic of China	RMB55,860,936.50	15.9%	-	15.9%	Technology (note 3)

* *Not audited by KPMG Hong Kong or another member firm of the KPMG global network.*

Note 1: In 2020, the Group invested in Ivory SL Joint Venture Limited to carry out investment holding activity in the PRC.

The Group has provided loan facility of RMB260,000,000 to Ivory SL Joint Venture Limited. The loan is secured, interest-bearing and repayable within 5 years. The interest rates range from 9% per annum to 10% per annum.

Note 2: Scape Australia (CUB) Trust is an investment trust domiciled in Australia. The principal activities of Scape Australia (CUB) Trust are to develop, hold and operate a purpose-built student accommodation facility.

Note 3: 北京中经惠众科技有限公司 was incorporated in the People's Republic of China on 3 November 2015 to provide technology services and investment advisory services. The Group invested in 北京中经惠众科技有限公司 in 2019.

10 Investments in associates (continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Ivory SL Joint Venture Limited	*Scape Australia (CUB) Trust*	
	** From 6 May 2020 to 31 December 2020*	** From 1 January 2020 to 30 September 2020*	*2019*
Gross amounts of the associates'	USD'000	AUD'000	AUD'000
Current assets	9,443	3,068	28,374
Non-current assets	411,697	206,788	115,211
Current liabilities	16,826	3,692	11,463
Non-current liabilities	264,206	111,051	38,745
Equity	140,108	95,113	93,377
Revenue	7,891	26,220	11,426
Profit from continuing operations	9,058	25,551	10,632
Post-tax profit or loss from discontinued operations	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	9,058	25,551	10,632
Dividend received from the associate	-	-	-
Reconciled to the Group's interest in the associates	HK$'000	HK$'000	HK$'000
Profit for the period/year	70,217	152,647	58,027
Group's effective interest	33.3%	21.6%	21.6%
	23,382	32,972	12,534
Carrying amount in the consolidated financial statements as at 6 May/1 January	-	97,101	76,344
Investment at cost	142,000	-	-
Capital (redemption)/injection	-	(26,817)	22,301
Others	(14,651)	19,310	(14,078)
Carrying amount in the consolidated financial statements as at 30 September/ 31 December	150,731	122,566	97,101

* *Financial information is extracted from unaudited financial statements of associates.*

10 Investments in associates (continued)

	北京中经惠众科技有限公司	
	2020	*From 5 November 2019 to 31 December 2019*
Gross amounts of the associates'	RMB'000	RMB'000
Current assets	61,066	115,166
Non-current assets	26,053	119
Current liabilities	10,687	6,293
Non-current liabilities	21,124	-
Equity	55,308	108,992
Revenue	-	-
Profits from continuing operations	337	-
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	(53,684)	(3,100)
Total comprehensive income	(53,684)	(3,100)
Dividend received from the associate	-	-
Reconciled to the Group's interest in the associates	HK$'000	HK$'000
Loss for the year/period	(63,637)	(3,467)
Group's effective interest	15.9%	15.9%
	(10,118)	(551)
Carrying amount in the consolidated financial statements as at 1 January/5 November	111,232	-
Investment at cost	-	111,838
Capital injection/(redemption)	-	-
Others	6,969	(55)
Carrying amount in the consolidated financial statements as at 31 December	108,083	111,232

10 Investments in associates (continued)

Aggregate information of associates accounted for using equity method that are not individually material:

	2020 HK$'000	*2019* HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	301,109	757,451
Aggregate amounts of the Group's share of those associates'		
Profits/(losses) from continuing operations	144,923	(56,260)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	144,923	(56,260)

11 Income tax in the consolidated statement of profit or loss and other comprehensive income

(a) *The amount of tax charged to profit or loss represents:*

	2020 $'000	*2019* $'000
Current tax – Hong Kong Profits Tax		
Provision for the year (note 24)	151,908	183,047
Under/(over)-provision in prior years	26,374	(61,007)
	178,282	122,040
Current tax – Overseas		
Provision for the year (note 24)	26,278	12,125
Under-provision in prior years	1,095	65
	27,373	12,190
Deferred tax		
Origination and reversal of temporary difference (note 23(i))	176,924	185,914
	382,579	320,144

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

11 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax charged to profit or loss and accounting profit at applicable tax rates:

	2020		
	Hong Kong $'000	*PRC* $'000	*Total* $'000
Profit before tax	2,017,016	297,336	2,314,352
Notional tax on profit before tax, calculated at statutory tax rates	332,808	74,334	407,142
Tax effect of non-deductible expenses	195,020	61,257	256,277
Tax effect of non-taxable income	(241,535)	(178,716)	(420,251)
Tax effect of unused tax losses not recognised	(52,826)	-	(52,826)
Tax effect of utilisation of tax losses not previously recognised	53,278	69,403	122,681
Under-provision in prior years	26,374	1,095	27,469
Others	(11)	42,098	42,087
Actual tax charged to profit or loss	313,108	69,471	382,579

	2019		
	Hong Kong $'000	*PRC* $'000	*Total* $'000
Profit before tax	1,773,450	97,310	1,870,760
Notional tax on profit before tax, calculated at statutory tax rates	292,619	24,327	316,946
Tax effect of non-deductible expenses	216,095	42,247	258,342
Tax effect of non-taxable income	(129,115)	(89,646)	(218,761)
Tax effect of unused tax losses not recognised	(89,757)	-	(89,757)
Tax effect of temporary differences not recognised	(2,523)	-	(2,523)
Tax effect of utilisation of tax losses not previously recognised	78,778	30,392	109,170
(Over)/under-provision in prior years	(61,007)	65	(60,942)
Others	7,669	-	7,669
Actual tax charged to profit or loss	312,759	7,385	320,144

12 Cash and cash equivalents and term deposits

(a) Cash and cash equivalents comprise:

	2020	*2019*
	$'000	$'000
Cash and bank balances	8,355,317	4,478,539
Short-term time deposits	27,961	28,075
Less: Expected credit losses (note 22)	(186)	(36)
	8,383,092	4,506,578

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, certain subsidiaries of the Group also maintain client trust monies of $1,390,857,000 (2019: $1,240,328,000) in segregated bank accounts in accordance with the provision of Hong Kong Securities and Futures (Client Money) Rules. Client monies were not included in the cash and cash equivalents of the Group.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

12 Cash and cash equivalents and term deposits (continued)

	Bank loans $'000 (Note 25)	*Financial assets sold under repurchase agreements* $'000 (Note 27)	*Medium-term notes* $'000 (Note 28)	*Interest rate swap held to hedge borrowings (liabilities)* $'000 (Note 37(a)(i))	*Lease liabilities* $'000 (Note 20)	*Total* $'000
At 1 January 2020	36,126,283	570,186	15,955,046	92,472	117,597	52,861,584
Changes from financing cash flows:						
Proceeds of medium-term notes	-	-	5,408,006	-	-	5,408,006
Repayment of medium-term notes	-	-	(5,067,436)	-	-	(5,067,436)
Repayment of bank loans from related companies, net	(4,660,970)	-	-	-	-	(4,660,970)
Repayment of other bank loans, net	(4,000,286)	-	-	-	-	(4,000,286)
Proceeds from financial assets sold under repurchase agreements	-	340,342	-	-	-	340,342
Capital element of lease rental paid	-	-	-	-	(129,398)	(129,398)
Interest element of lease rentals paid	-	-	-	-	(13,329)	(13,329)
Net payment of interest rate swap	-	-	-	(104,894)	-	(104,894)
Total changes from financing cash flows	(8,661,256)	340,342	340,570	(104,894)	(142,727)	(8,227,965)
Exchange adjustments	-	-	(40,833)	15	-	(40,818)
Changes in fair value	-	-	-	84,464	-	84,464
Other changes:						
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	521,660	521,660
Amortisation	-	13,592	4,910	-	-	18,502
Interest expenses (note 8)	-	-	-	-	13,329	13,329
Total other changes	-	13,592	4,910	-	534,989	553,491
As 31 December 2020	27,465,027	924,120	16,259,693	72,057	509,859	45,230,756

12 Cash and cash equivalents and term deposits (continued)

	Bank loans $'000 (Note 25)	*Financial assets sold under repurchase agreements* $'000 (Note 27)	*Medium-term notes* $'000 (Note 28)	*Interest rate swap held to hedge borrowings (liabilities)* $'000 (Note 37(a)(i))	*Lease liabilities* $'000 (Note 20)	*Total* $'000
At 31 December 2018	35,844,731	1,299,589	16,006,326	31,370	-	53,182,016
Impact on initial application of HKFRS 16	-	-	-	-	150,042	150,042
At 1 January 2019	35,844,731	1,299,589	16,006,326	31,370	150,042	53,332,058
Changes from financing cash flows:						
Proceeds from bank loans from related companies, net	2,388,362	-	-	-	-	2,388,362
Repayment of other bank loans, net	(2,106,810)	-	-	-	-	(2,106,810)
Proceeds of medium-term notes	-	-	5,484,286	-	-	5,484,286
Repayment of medium-term notes	-	-	(5,480,925)	-	-	(5,480,925)
Repayment of financial assets sold under repurchase agreements	-	(748,772)	-	-	-	(748,772)
Capital element of lease rental paid	-	-	-	-	(111,826)	(111,826)
Interest element of lease rentals paid	-	-	-	-	(5,724)	(5,724)
Net payment of interest rate swap	-	-	-	(22,918)	-	(22,918)
Total changes from financing cash flows	281,552	(748,772)	3,361	(22,918)	(117,550)	(604,327)
Exchange adjustments	-	-	(86,000)	(139)	(30)	(86,169)
Changes in fair value	-	-	-	84,159	-	84,159
Other changes:						
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	85,135	85,135
Amortisation	-	19,369	31,359	-	-	50,728
Total other changes	-	19,369	31,359	-	85,135	135,863
As 31 December 2019	36,126,283	570,186	15,955,046	92,472	117,597	52,861,584

12 Cash and cash equivalents and term deposits (continued)

(c) Term deposits

	2020 $'000	*2019* $'000
Term deposits	7,434,108	6,900,610
Less: Expected credit losses (note 22)	(185)	(33)
	7,433,923	6,900,577

Term deposits earn interest at fixed interest rates, with longer maturities of more than three months. The term deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, term deposits with principal amounts of $3,604,651,000 (2019: $6,900,610,000) were pledged to banks to secure borrowings of $3,365,330,000 (2019: $6,490,238,000) (see note 25).

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts

(a) Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts

	2020 $'000	*2019* $'000
Cash clients receivable	379,240	347,513
Margin clients receivable	3,293,703	3,640,525
Brokers receivable	283,990	17,031
Amounts receivable from clearing houses	137,492	258,439
Initial public offering loan receivable	109,394	-
Surplus in trust account	-	25,145
	4,203,819	4,288,653
Less: Expected credit losses on margin clients receivable (note 22)	(13,016)	(11,399)
	4,190,803	4,277,254

All of the accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts are expected to be recovered within one year.

The aged analysis and further details on the Group's credit policies are set out in note 37(b).

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts (continued)

(b) Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts

	2020 $'000	*2019* $'000
Clients payable	276,815	555,375
Brokers payable	150,000	2,212
Amounts payable to clearing houses	3,206	7,803
Deficit in trust account	234,414	-
	664,435	565,390

All of the accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts are expected to be settled within one year or repayable on demand, and their carrying amounts are their estimated fair values.

(c) Offsetting financial assets and financial liabilities

Certain subsidiaries of the Group has entered into transactions subject to an enforceable master netting arrangement or similar agreement with counterparties. The gross amounts of recognised accounts receivable from and accounts payable to these counterparties and the net balance as shown on the consolidated statement of financial position are disclosed as follows:

As at 31 December 2020

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount (net of expected credit loss) $'000	*Gross amount set off in the consolidated statement of financial position* $'000	*Net amount presented in the consolidated statement of financial position* $'000	*Related amount not set off in the consolidated statement of financial position* $'000	*Net amount* $'000
Finance assets					
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	4,563,112	(372,309)	4,190,803	(3,206)	4,187,597
Financial liabilities					
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	1,036,744	(372,309)	664,435	(3,206)	661,229

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts (continued)

As at 31 December 2019

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount (net of expected credit loss) $'000	*Gross amount set off in the consolidated statement of financial position* $'000	*Net amount presented in the consolidated statement of financial position* $'000	*Related amount not set off in the consolidated statement of financial position* $'000	*Net amount* $'000
Finance assets					
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	4,569,317	(292,063)	4,277,254	(7,803)	4,269,451
Financial liabilities					
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	857,453	(292,063)	565,390	(7,803)	557,587

14 Financial assets/(liabilities) at fair value through profit or loss

	2020 $'000	*2019* $000
Financial assets at fair value through profit or loss		
Listed equity securities	338,320	394,010
Listed equity securities with optionality	257,687	3,372,274
Listed debt securities	2,941,131	3,279,278
Unlisted fund instruments (note 33)	4,851,227	3,423,596
Unlisted equity securities	2,892,869	840,489
Unlisted convertible financial instruments	1,533,554	3,513,408
Unlisted debt securities	386,626	1,915,439
	13,201,414	16,738,494
Financial liabilities at fair value through profit or loss		
Listed bonds sold short	(192,690)	(22,955)
Loan borrowings	(489,324)	(504,408)
	(682,014)	(527,363)

14 Financial assets/(liabilities) at fair value through profit or loss (continued)

The fair value of unlisted investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

15 Financial assets at fair value through other comprehensive income

	2020 $'000	*2019* $'000
Listed debt securities	9,419,862	10,183,268
Listed equity securities	33,650	30,116
	9,453,512	10,213,384

As at 31 December 2020, the Group has made an ECL of $159,482,000 (note 22) against listed debt securities at FVOCI (2019: $109,125,000). The balances were recognised in FVOCI investment revaluation reserve (recycling).

16 Derivative financial assets/(liabilities)

The following is a summary of each significant type of derivatives financial assets/(liabilities):

	2020 $'000	*2019* $'000
Derivative financial assets		
Currency contracts	77,345	1,147
Futures contracts	-	482
	77,345	1,629
Derivative financial liabilities		
Currency contracts	(16,657)	(1,004)
Futures contracts	(79,330)	(732)
Cash flow hedging instruments: Interest rate swap (note 37(a)(i))	(72,057)	(92,472)
	(168,044)	(94,208)

Management believes that the estimated fair values resulting from these valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

17 Prepayments, deposits and other receivables

	2020 $'000	2019 $'000
Interest receivables	1,414,796	1,161,008
Dividend receivables	2,279	-
Other receivables	103,099	172,412
Deposits	45,295	45,244
Prepayments	26,167	32,407
Less: Expected credit losses on (note 22)		
- interest receivables	(14,530)	(11,210)
- other receivables	(21,089)	(19,857)
	1,556,017	1,380,004

18 Accounts receivable

	2020 $'000	2019 $'000
Underwriting and placement fees receivable	14,869	20,097
Advisory fees receivable	26,461	32,197
Asset management fees receivable	48,180	44,592
Service fee receivables	136,227	-
Less: Expected credit losses (note 22)	(16,240)	(17,176)
	209,497	79,710

Further details on the Group's credit policies are set out in note 37(b).

19 Loans receivable

(a) Loans receivable

	2020	*2019*
	$'000	$'000
Remaining maturity within 1 year		
Loans and advances to clients	2,249,845	6,283,386
Less: Expected credit losses (note 22)		
- Stage 1 and 2 ECL	(18,347)	(31,253)
- Stage 3 ECL	-	-
	2,231,498	6,252,133
Remaining maturity more than 1 year		
Loans and advances to clients	8,808,567	9,392,322
Less: Expected credit losses (note 22)		
- Stage 1 and 2 ECL	(109,772)	(59,745)
- Stage 3 ECL	-	-
	8,698,795	9,332,577
	10,930,293	15,584,710

The loans and advances were secured loans made to corporate and individual clients and are mainly denominated in Hong Kong dollars, Renminbi or United States dollars. The loans and advances were secured by collaterals including listed equity shares, third party guarantees, shares of the subsidiaries of the borrowers and properties.

19 Loans receivable (continued)

(b) Movement in impairment allowances

The following table shows reconciliations from the opening to the closing balances of the loss allowance by class of financial instrument.

	2020			
	Stage 1 ECL $'000	*Stage 2* ECL $'000	*Stage 3* ECL $'000	*Total* $'000
At 1 January 2020	90,998	-	-	90,998
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(26,310)	-	26,310	-
Net remeasurement of loss allowance	30,894	-	(26,310)	4,584
New financial assets originated or purchased	65,986	-	-	65,986
Financial assets that have been repaid	(33,449)	-	-	(33,449)
Write-offs	-	-	-	-
At 31 December 2020	128,119	-	-	128,119

	2019			
	Stage 1 ECL $'000	*Stage 2* ECL $'000	*Stage 3* ECL $'000	*Total* $'000
At 1 January 2019	102,905	-	-	102,905
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	23,854	-	-	23,854
New financial assets originated or purchased	27,534	-	-	27,534
Financial assets that have been repaid	(18,826)	-	-	(18,826)
Write-offs (including exchange adjustments)	(44,469)	-	-	(44,469)
At 31 December 2019	90,998	-	-	90,998

20 Lease liabilities

At 31 December 2020 and 2019, the lease liabilities were repayable as follows:

	2020 $'000	*2019* $'000
Within 1 year	137,303	77,107
After 1 year but within 2 years	123,127	29,060
After 2 years but within 5 years	249,429	11,430
After 5 years	-	-
	372,556	40,490
	509,859	117,597

The total financing cash outflow for the related lease rentals paid for the year 2020 is HK$142,727,000 (2019: HK$117,550,000).

21 Property, plant and equipment

(a) *Reconciliation of carrying amount*

	Land and buildings $'000	Leasehold improvement $'000	Furniture, fixtures and office equipment $'000	Computer equipment $'000	Motor vehicles $'000	Construction in progress $'000	Other properties leased for own use carried at cost $'000	Total $'000
Cost								
At 1 January 2019	290	44,652	21,629	52,262	6,313	-	150,042	275,188
Additions	-	19,894	6,210	16,417	1,617	-	78,714	122,852
Disposals	-	-	(337)	(436)	-	-	(8,474)	(9,247)
Exchange adjustments	-	(3)	36	56	(68)	-	(445)	(424)
At 31 December 2019	290	64,543	27,538	68,299	7,862	-	219,837	388,369
At 1 January 2020	290	64,543	27,538	68,299	7,862	-	219,837	388,369
Additions	-	18,636	3,251	19,601	16	312	521,986	563,802
Derecognition	-	-	-	-	-	-	(32)	(32)
Exchange adjustments	-	12	377	904	313	-	20,559	22,165
At 31 December 2020	290	83,191	31,166	88,804	8,191	312	762,350	974,304
Accumulated depreciation:								
At 1 January 2019	(135)	(37,172)	(18,223)	(38,193)	(3,902)	-	-	(97,625)
Charge for the year (note 7)	-	(14,626)	(1,646)	(5,416)	(599)	-	(112,888)	(135,175)
Written back on disposals	-	-	340	276	-	-	3,731	4,347
Exchange adjustments	-	4	2	-	60	-	(20)	46
At 31 December 2019	(135)	(51,794)	(19,527)	(43,333)	(4,441)	-	(109,177)	(228,407)
At 1 January 2020	(135)	(51,794)	(19,527)	(43,333)	(4,441)	-	(109,177)	(228,407)
Charge for the year (note 7)	-	(16,915)	(2,208)	(16,305)	(661)	-	(135,098)	(171,187)
Exchange adjustments	-	(12)	256	(638)	(158)	-	(19,475)	(20,027)
At 31 December 2020	(135)	(68,721)	(21,479)	(60,276)	(5,260)	-	(263,750)	(419,621)
Net book value:								
At 31 December 2020	155	14,470	9,687	28,528	2,931	312	498,600	554,683
At 31 December 2019	155	12,749	8,011	24,966	3,421	-	110,660	159,962

21 Property, plant and equipment (continued)

The Group's land included in property, plant and equipment with a net carrying amount of $155,000 (2019: $155,000) is situated in Hong Kong and is held under a medium-term lease.

(b) *Right-of-use assets*

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2020 $'000	2019 $'000
Other properties leased for own use, carried at depreciated cost	(i)	498,600	110,660

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use (note 7)	135,098	112,888
Interest on lease liabilities (note 8)	13,329	5,724
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	755	403

During the year 2020, additions to right-of-use assets were $521,986,000 (2019: $78,714,000). This amount primarily related to the capitalised lease payments payable under the new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 20, respectively.

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 6 years.

The contracts do not include an option to extend the lease for an additional period after the end of the contract term.

During the year ended 31 December 2020 and 2019, none of the lease entered into by the Group contains variable lease payment terms.

22 Reconciliation between loss allowance charged to profit and loss and loss allowance balance in statement of financial position

	Financial assets at FVOCI (Note 15) $'000	*Accounts receivable from the ordinary course of business of dealing in securities, futures and options contracts* (Note 13(a)) $'000	*Deposits and other receivables* (Note 17) $'000	*Accounts receivable* (Note 18) $'000	*Cash and cash equivalents* (Note 12(a)) $'000	*Term deposits* (Note 12(c)) $'000	*Loans receivable* (Note 19(b)) $'000	*Off-balance items* (Note 30) $'000	*Total* $'000
At 1 January 2019	93,693	7,374	30,611	11,875	7	5	102,905	5,724	252,194
Net charge/(reversal) of impairment losses for the year	15,432	4,025	4,683	6,747	29	28	32,562	(4,259)	59,247
Written off	-	-	(4,193)	(2,400)	-	-	(44,449)	-	(51,042)
Exchange adjustments	-	-	(34)	954	-	-	(20)	-	900
At 31 December 2019 and 1 January 2020	109,125	11,399	31,067	17,176	36	33	90,998	1,465	261,299
Net charge/(reversal) of impairment losses for the year	50,358	1,617	4,701	(117)	150	152	37,121	(1,465)	92,517
Written off	-	-	-	-	-	-	-	-	-
Exchange adjustments	(1)	-	(149)	(819)	-	-	-	-	(969)
At 31 December 2020	159,482	13,016	35,619	16,240	186	185	128,119	-	352,847

23 Deferred tax assets/(liabilities)

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses $'000	*Financial assets at fair value through other comprehensive income and derivative financial liabilities* $'000	*Depreciation expenses in excess of related depreciation allowance* $'000	*Expected credit losses* $'000	*Financial assets at fair value through profit and loss* $'000	*Provision for bonus* $'000	*Total* $'000
At 1 January 2019	19,266	147,778	(21)	-	(58,022)	-	109,001
Credited/(charged) to profit or loss (note11(a))	21,900	-	(1)	38,290	(246,103)	-	(185,914)
Credited/(charged) to other comprehensive income	-	(124,126)	-	-	-	-	(124,126)
At 31 December 2019 and 1 January 2020	41,166	23,652	(22)	38,290	(304,125)	-	(201,039)
Credited/(charged) to profit or loss (note11(a))	62,942	-	-	6,534	(289,052)	42,652	(176,924)
Credited/(charged) to other comprehensive income	-	(12,089)	-	-	-	-	(12,089)
Exchange differences	-	-	-	-	(280)	-	(280)
At 31 December 2020	104,108	11,563	(22)	44,824	(593,457)	42,652	(390,332)

23 Deferred tax assets/(liabilities) (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2020 $'000	*2019* $'000
Net deferred tax assets	100,346	66,726
Net deferred tax liabilities	(490,678)	(267,765)
	(390,332)	(201,039)

(iii) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,962,427,000 (2019: $1,958,256,000) for certain subsidiaries as it is not certain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under current tax legislation.

24 Tax payable/(recoverable)

	2020 $'000	*2019* $'000
Hong Kong Profits Tax		
Provision for the year (note 11(a))	151,908	183,047
Provisional Profit Tax paid	(57,000)	-
	94,908	183,047
Balance of provision related to prior years	105,835	110,458
	200,743	293,505
Overseas Tax		
Provision for the year (note 11(a))	26,278	12,125
Provisional Profit Tax paid	-	-
Exchange differences	152	4,993
	26,430	17,118
Balance of provision related to prior years	(3,845)	(7,232)
	22,585	9,886
	223,328	303,391
Representing:		
- Current tax payable	247,803	316,700
- Current tax recoverable	(24,475)	(13,309)
	223,328	303,391

25 Bank loans

At 31 December 2020, the bank loans were repayable as follows:

	2020 $'000	2019 $'000
Bank loans payable		
- Within 1 year	17,956,562	25,382,357
- After 1 year but within 2 years	4,287,663	9,113,492
- After 2 years but within 5 years	5,220,802	1,630,434
	27,465,027	36,126,283

As at 31 December 2020, $3,365,330,000 (2019: $6,490,238,000) of bank loans are secured by term deposits placed at financial institutions held by the Group. Assets pledged to secure the borrowings are disclosed in note 12(c). The remaining bank loans are unsecured and obtained from several authorised institutions.

26 Financial assets purchased under resell agreement

	2020 $'000	2019 $'000
Listed debt securities	177,032	-

As at 31 December 2020, the Group entered into reverse repurchase agreements with a financial institution to purchase bonds. All of the reverse repurchase agreements do not have a contractual maturity date and can be settled via mutual agreement. The prices are fixed and the Group is exposed to substantially all the credit risks, market risks and rewards of the bonds.

27 Financial assets sold under repurchase agreements

	2020 $'000	2019 $'000
Listed debt securities	924,120	570,186

As at 31 December 2020, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income with carrying amount estimated at HK$632,505,000 (2019: $633,357,000), which is subject to the simultaneous agreements to repurchase these investments at the agreed price and date. All of the repurchase agreements have maturities within 3 months (2019: 3 months).

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

28 Medium-term notes

	2020 $'000	*2019* $'000
Medium-term notes payable		
- Within 1 year	5,426,357	5,058,629
- After 1 year but within 2 years	5,422,704	5,451,289
- After 2 years but within 5 years	5,410,632	5,445,128
	16,259,693	15,955,046

On 13 March 2017, the Group issued medium-term notes with a principal amount of US$650,000,000. The medium-term notes are interest bearing and are repayable on 13 March 2020. The balance was fully repaid on 13 March 2020.

On 28 June 2018, the Group issued floating rate medium-term notes with a principal amount of US$700,000,000. The medium-term notes are interest bearing and are repayable on 28 June 2021. The Group has hedged the interest rate risk by entering a plain vanilla interest rate swap under which the Group is receiving floating rate and paying fixed rate. See note 37(a)(i) for details.

On 30 May 2019, the Group issued medium-term notes with a principal amount of US$700,000,000. The medium-term notes are interest bearing and are repayable on 30 May 2022.

On 28 July 2020, the Group issued medium-term notes with a principal amount of US$ 700,000,000. The medium-term notes are interest bearing and are repayable on 28 July 2025.

29 Investments in subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest: Group's effective interest	Interest held directly	Interest held indirectly	Principal activities
ICBC International Capital Limited	Hong Kong	380,000,000 shares of HK$1 each	100%	100%	-	Advisory on corporate finance
ICBC International Securities Limited	Hong Kong	6,800,000,000 shares of HK$1 each	100%	100%	-	Securities brokering, margin financing and underwriting
ICBC International Services Limited	Hong Kong	10,000 shares of HK$1 each	100%	100%	-	Provision of management and administrative services
ICBC International Futures Limited	Hong Kong	170,000,000 shares of HK$1 each	100%	100%	-	Futures and options contracts brokering
ICBC International Research Limited	Hong Kong	6,000,000 shares of HK$1 each	100%	100%	-	Provision of research services
ICBC International Finance Limited	Hong Kong	5,000,000 shares of HK$1 each	100%	100%	-	Advisory on corporate finance
ICBC International Strategic Investment Limited	Hong Kong	1 share of HK$1	100%	100%	-	Investment holding
ICBC International Fund Management Limited	Hong Kong	426,000,000 shares of HK$1 each	100%	100%	-	Asset management
ICBC International Asset Management Limited	Hong Kong	10,000,000 shares of HK$1 each	100%	100%	-	Asset management
ICBC (Shanghai) Investment Consultant Limited	PRC	US$500,000	100%	100%	-	Investment consultant services
ICBC International Investment Management Limited	British Virgin Islands	1 share of US$1	100%	100%	-	Investment holding
銀通投資諮詢有限公司	PRC	RMB5,000,000	100%	100%	-	Investment consultant services
珠海思陸投資諮詢合夥企業	PRC	RMB815,050,000	100%	-	100%	Investment holding
珠海思晴管理諮詢合夥企業 (有限合夥)	PRC	RMB714,938,911	100%	-	100%	Investment holding
工盈 (天津) 股權投資管理有限公司	PRC	RMB10,000,000	100%	-	100%	Asset Management
Victory Ride Holdings Limited	British Virgin Islands	1 share of US$1	100%	-	100%	Investment holding

29 Investments in subsidiaries (continued)

Name	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Fine Process Limited	British Virgin Islands	1 share of US$1	100%	-	100%	Investment holding
工銀國際投資有限公司	PRC	RMB100,000,000	100%	-	100%	Investment holding
工銀 (廣東) 投資管理有限公司	PRC	RMB10,000,000	100%	-	100%	Investment holding
工銀家族財富（上海）投資管理有限公司	PRC	RMB10,000,000	100%	-	100%	Investment consultant services
工銀科技有限公司	PRC	RMB600,000,000	100%	-	100%	Technology business
深圳市前海海源投資諮詢有限公司	PRC	RMB248,628,167	100%	-	100%	Investment consultant services
深圳市前海海鋒投資諮詢有限公司	PRC	Nil	100%	-	100%	Investment consultant services
深圳市前海盈瑞投資諮詢合夥企業(有限合夥)	PRC	RMB867,100,000	100%	-	100%	Investment consultant services

The above table lists the major subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

There is no subsidiary of the Group which has material non-controlling interests during both reporting periods.

30 Other payables and accruals

	2020 $'000	2019 $'000
Interest payable	123,244	214,586
Accrued expenses	656,242	632,099
Deferred fee income	118,538	105,058
Other payables	1,379,235	553,864
Withholding tax payable	485,686	150,216
Loss allowance for off-balance sheet items (note 22)	-	1,465
	2,762,945	1,657,288

Movement in deferred fee income:

	2020 $'000	2019 $'000
Balance at 1 January	105,058	135,161
Add: Billing in advance	93,004	258,858
Less: Recognised as revenue	(79,524)	(288,961)
Balance at 31 December	118,538	105,058

All the other payables and accruals are unsecured and interest-free, see note 37(c) as the maturity profile.

31 Share capital

	2020 No. of shares '000	2020 $'000	2019 No. of shares '000	2019 $'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	4,839,303	4,881,851	4,839,303	4,881,851

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32 Reserves

(a) Group

	2020 $'000	*2019* $'000
Exchange and other reserves	8,707	(21,205)
FVOCI investment revaluation reserve (recycling)	994	(119,698)
FVOCI investment revaluation reserve (non-recycling)	(7,414)	(11,284)
Hedging reserve	(59,507)	(92,334)
	(57,220)	(244,521)

The amount of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(b) Company

	Share capital $'000	*Retained profits* $'000	*Hedging reserve* $'000	*Total* $'000
At 1 January 2020	4,881,851	461,665	(92,334)	5,251,182
Total comprehensive income for the year	-	533,909	32,827	566,736
At 31 December 2020	4,881,851	995,574	(59,507)	5,817,918
At 1 January 2019	4,881,851	(2,465)	(31,343)	4,848,043
Total comprehensive income for the year	-	464,130	(60,991)	403,139
At 31 December 2019	4,881,851	461,665	(92,334)	5,251,182

32 Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange and other reserves

The exchange and other reserves mainly comprise the foreign exchange differences arising from the translation of the financial statements of foreign operations, joint ventures and associates and the share of reserves of joint ventures and associates.

(ii) FVOCI investment revaluation reserve (recycling)

The FVOCI investment revaluation reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.4(f) and 2.4(i)(1)).

(iii) FVOCI investment revaluation reserve (non-recycling)

The FVOCI investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.4(f)).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2.4(h).

33 Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	*Nature and purpose*	*Interest held by the Group*
Investment funds	To manage assets on behalf of third-party investors and generate fees for the investment manager To invest on behalf of third-party investors These vehicles are financed through the issue of units to investors	Investments in units issued by the funds Management fees

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

33 Involvement with unconsolidated structured entities (continued)

Carrying amount

	2020 $'000	*2019* $'000
Financial assets at fair value through profit or loss (note 14)	4,851,227	3,423,596
Management fee receivables	47,922	42,838
	4,899,149	3,466,434

During the years presented, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

34 Commitments

Investment commitments

At the end of the reporting period, committed facilities under investment agreements entered into with counterparties are as follows:

	2020 $'000	*2019* $'000
Within one year	1,765,862	2,215,183

35 Material related party transactions

Remuneration for key management personnel of the Group including amounts paid/payable to the Company's directors have been disclosed in note 6.

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	2020 $'000	*2019* $'000
Corporate finance advisory fee from		
- a related party	112	1,717
- an associate	-	1,393
Underwriting and placing commission from		
- branches of the ultimate holding company	566	2,432
- fellow subsidiaries	34	2,747
Asset management fee from a fellow subsidiary	-	2,246
Service income from fellow subsidiaries	237,305	86,471
Interest income from		
- the ultimate holding company	57,315	22,629
- branches of the ultimate holding company	55,682	32,724
- fellow subsidiaries	4,462	7,426
- a related party	3,553	51,918
- an associate	18,594	11,706
- a joint venture	273	-
Realised and unrealised gain arising from currency contracts with a fellow subsidiary as counterparty	1,050	9,245
Project sharing expenses to a branch of the ultimate holding company	(350)	(2,279)
Interest expense to		
- the ultimate holding company	(15,673)	(1,675)
- branches of the ultimate holding company	(269,572)	(354,539)
- fellow subsidiaries	-	(66,886)
- branches of the ultimate holding company in respect of medium-term notes payable	(473,365)	(36,186)
Realised and unrealised gain on total return swap entered with a fellow subsidiary	-	272,947
Realised and unrealised loss on currency contracts entered with a fellow subsidiary	(13,883)	-

35 Material related party transactions (continued)

	2020 $'000	*2019* $'000
Bank deposits placed with		
- the ultimate holding company	54,893	168,952
- branches of the ultimate holding company	1,674,151	28,471
- fellow subsidiaries	425,526	1,308,449
Loans receivable from a related company	-	1,021,349
Interest receivables from a fellow subsidiary	18	94
Other receivables from a branch of the ultimate holding company	-	3,375
Shareholder's loan to an associate	283,999	-
Loan to a joint venture	12,091	-
Other payables to		
- the ultimate holding company	(2,354)	-
- branches of the ultimate holding company	(30,695)	(98,451)
- a fellow subsidiary	(707,491)	-
- joint ventures	(4,240)	(4,001)
Bank loans from		
- the ultimate holding company	(1,118,383)	(1,118,383)
- branches of the ultimate holding company	(7,635,659)	(12,363,639)
Currency contracts with a fellow subsidiary	(16,657)	144
Interest rate swap entered with a fellow subsidiary	(72,057)	(92,472)
Deferred fee income from a related party	-	(3,666)

36 Fair value measurement

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has engaged an external valuation specialist to perform valuation on Level 3 financial instruments. Details of the valuation techniques and descriptions of the financial instruments are disclosed in notes 14 and 16.

36 Fair value measurement (continued)

The Group held the following financial instruments measured at fair value:

At 31 December 2020

	Fair value at 31 December 2020 $'000	Fair value measurements categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Listed debt securities	2,941,131	-	2,941,131	-
- Unlisted debt securities	386,626	-	-	386,626
- Listed equity securities	338,320	338,320	-	-
- Listed equity securities with optionality	257,687	-	257,687	-
- Unlisted equity securities	2,892,869	-	-	2,892,869
- Unlisted fund investments	4,851,227	-	-	4,851,227
- Unlisted convertible financial instruments	1,533,554	-	-	1,533,554
Investments in joint ventures, designated at FVPL				
- Unlisted equity securities	4,980,717	-	-	4,980,717
Financial assets at FVOCI				
- Listed debt securities	9,419,862	-	9,419,862	-
- Listed equity securities	33,650	33,650	-	-
Derivative financial assets				
- Currency contracts	77,345	-	77,345	-
	27,712,988	371,970	12,696,025	14,644,993
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Listed bonds sold short	(192,690)	-	(192,690)	-
- Loan borrowing	(489,324)	-	-	(489,324)
Derivative financial liabilities				
- Currency contracts	(16,657)	-	(16,657)	-
- Futures contracts	(79,330)	-	(79,330)	-
- Interest rate swap	(72,057)	-	(72,057)	-
Other payables and accruals				
- Other payables	(228,046)	(228,046)	-	-
	(1,078,104)	(228,046)	(360,734)	(489,324)

36 Fair value measurement (continued)

At 31 December 2019

	Fair value at 31 December 2019 $'000	*Fair value measurements categorised into* *Level 1* $'000	*Level 2* $'000	*Level 3* $'000
Recurring fair value measurements				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Listed debt securities	3,279,278	-	3,279,278	-
- Unlisted debt securities	1,915,439	-	-	1,915,439
- Listed equity securities	394,010	394,010	-	-
- Listed equity securities with optionality	3,372,274	-	3,372,274	-
- Unlisted equity securities	840,489	-	-	840,489
- Unlisted fund investments	3,423,596	-	-	3,423,596
- Unlisted convertible financial instruments	3,513,408	-	-	3,513,408
Investments in joint ventures, designated at FVPL				
- Unlisted equity securities	5,085,203	-	-	5,085,203
Financial assets at FVOCI				
- Listed debt securities	10,183,268	-	10,183,268	-
- Listed equity securities	30,116	30,116	-	-
Derivative financial assets				
- Currency contracts	1,147	-	1,147	-
- Futures contracts	482	-	482	-
	32,038,710	424,126	16,836,449	14,778,135
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Listed bonds sold short	(22,955)	-	(22,955)	-
- Loan borrowing	(504,408)	-	-	(504,408)
Derivative financial liabilities				
- Currency contracts	(1,004)	-	(1,004)	-
- Futures contracts	(732)	-	(732)	-
- Interest rate swap	(92,472)	-	(92,472)	-
	(621,571)	-	(117,163)	(504,408)

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

36 Fair value measurement (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of currency contracts in Level 2 is determined by the difference between the contractual foreign exchange rate and current foreign exchange rate.

The fair value future contracts in Level 2 is determined by the difference between the contractual exercise price and the current spot price.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to transfer the swap at the end of the reporting period, taking into account current interest rates.

Information about Level 3 fair value measurements

2020:

	Valuation techniques	*Significant unobservable input*	*Unit*	*Range*	*Relationship to fair value*
Unlisted debt securities	Discounted cashflow analysis	Discount rate	Percentage	4.99% – 5.36%	Negative
Unlisted equity securities	Market comparable companies	P/B multiples	Multiple	1.0	Positive
		P/Sales multiples	Multiple	8.79	Positive
		EV/Sales multiples	Multiple	7.56	Positive
		EV/EBITDA multiples	Multiple	32.55	Positive
		Discount for lack of marketability	Percentage	10% – 35%	Negative
	Most recent market transaction	Transaction price	USD per share	USD 2.80 – USD 12.33	Positive
		Lock-up period discount	Percentage	14%	Negative
	Black-Scholes models	Volatility	Percentage	35.44% – 58.72%	Positive
	Cost approach	Milestone discount	Percentage	0%	Negative
Unlisted fund investments	Latest financial information	Net assets value	USD	USD 49.6m – USD 1,236.5m	Positive
	Market approach	Lock-up period discount	Percentage	25%	Negative
Unlisted convertible financial instruments	Market comparable companies	EV/Sales multiples	Multiple	0.64	Positive
		Discount for lack of marketability	Percentage	25%	Negative
	Most recent market transaction	Transaction price	USD	USD 215.7m – USD 232.6m	Positive
	Binomial option model	Expected volatility	Percentage	42.67% – 50.28%	Positive
		Credit spread	Percentage	6.10% – 17.71%	Negative
		Specific spread	Percentage	8.5%	Negative

36 Fair value measurement (continued)

2019:

	Valuation techniques	Significant unobservable input	Unit	Range	Relationship to fair value
Unlisted debt securities	Discounted cashflow analysis	Discount rate	Percentage	4.99% – 7.49%	Negative
Unlisted equity securities	Market comparable companies	EV/Sales multiples	Multiple	1.31 – 7.11	Positive
		Discount for lack of marketability	Percentage	15% – 33%	Negative
	Most recent market transaction	Transaction price	USD per share	USD 1.59 – USD 7.11	Positive
	Black-Scholes models	Volatility	Percentage	37.34% – 51.66%	Positive
	Cost approach	Milestone discount	Percentage	0% – 15%	Negative
	Discounted cashflow analysis	Discount rate	Percentage	6.9%	Negative
Unlisted fund investments	Latest financial information	Net assets value	USD	USD 44m – USD 1,131m	Positive
	Market approach	Discount for lack of control	Percentage	25%	Negative
		Discount for lack of marketability	Percentage	15%	Negative
Unlisted convertible financial instruments	Market comparable companies	P/B multiples	Multiple	1.1	Positive
		Discount for lack of control	Percentage	15%	Negative
		Discount for lack of marketability	Percentage	25% – 30%	Negative
	Most recent market transaction	Transaction price	USD	USD 778.6m	Positive
	Binomial option model	Expected volatility	Percentage	28.22% – 40.57%	Positive
		Credit spread	Percentage	11.65%	Negative
		Internal rate of return	Percentage	13%	Positive
		Yield	Percentage	12.54%	Positive

36 Fair value measurement (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

Financial assets

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
At 1 January 2019	1	7,214,518	2,438,562	1,986,915	1,575,123
Purchases	-	20,896	1,168,133	1,221,750	301,905
Disposals	(1)	(984,760)	(676,000)	(106,801)	-
Net unrealised gains/(losses) recognised in profit or loss	-	(272,959)	584,674	323,846	54,306
Exchange adjustments	-	(52,003)	(1,961)	(2,114)	(15,895)
At 31 December 2019 and 1 January 2020	-	5,925,692	3,513,408	3,423,596	1,915,439
Purchases	-	1,115,152	448,283	826,017	-
Disposals	-	(426,923)	(2,403,530)	(102,994)	(1,545,099)
Net unrealised gains/(losses) recognised in profit or loss	-	1,209,592	(19,530)	596,735	-
Exchange adjustments	-	50,073	(5,077)	107,873	16,286
At 31 December 2020	-	7,873,586	1,533,554	4,851,227	386,626

36 Fair value measurement (continued)

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
Total gains or losses in 2019 included in profit or loss for assets held at the end of the reporting period recorded in:					
Fair value gains/(losses), net					
- Financial assets at fair value through profit or loss	-	(272,959)	584,674	323,846	54,306
Exchange (loss)/gain, net	-	(52,003)	(1,961)	(2,114)	(15,895)

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
Total gains or losses in 2020 included in profit or loss for assets held at the end of the reporting period recorded in:					
Fair value gains/(losses), net					
- Financial assets at fair value through profit or loss	-	1,209,592	(19,530)	596,735	-
Exchange (loss)/gain, net	-	50,073	(5,077)	107,873	16,286

36 Fair value measurement (continued)

Financial liabilities

	Obligation relating to transfer of income right $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
At 1 January 2019	(136,451)	(1)	(511,299)
Derecognition	133,378	1	-
Net unrealised losses recognised in profit or loss	-	-	(1,853)
Exchange gains, net	3,073	-	8,744
At 31 December 2019 and 1 January 2020	-	-	(504,408)
Derecognition	-	-	-
Net unrealised gains recognised in profit or loss	-	-	43,308
Exchange losses, net	-	-	(28,224)
At 31 December 2020	-	-	(489,324)

	Obligation relating to transfer of income right $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
Total gains or losses in 2019 included in profit or loss for liabilities held at the end of the reporting period recorded in:			
Fair value losses, net			
- Financial liabilities at fair value through profit or loss	-	-	(1,853)
Exchange gains, net	3,073	-	8,744

36 Fair value measurement (continued)

	Obligation relating to transfer of income right classified as financial liabilities at fair value through profit or loss $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
Total gains or losses in 2020 included in profit or loss for liabilities held at the end of the reporting period recorded in:			
Fair value gains, net			
- Financial liabilities at fair value through profit or loss	-	-	43,308
Exchange losses, net	-	-	(28,224)

Net unrealised gains/(losses) and exchange gains/(losses) recognised in profit or loss are recognised in the line item "other net income" on the face of the consolidated statement of profit or loss and other comprehensive income.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

37 Financial risk management

Exposure to interest rate, currency, equity price, credit and liquidity risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Market risk*

Market risk arises from changes in market rates including interest rates, foreign exchange rates, equity prices as well as their correlation and volatility levels.

(i) Interest rate risk

Interest rate risk is the risk that the Group's position may be adversely affected by changes in market interest rates. The Group manages its interest rate exposure by matching the interest rate profile of its assets and liabilities where the exposure is significant.

The Group's major interest-bearing financial instruments included bank deposits, loans receivable, unlisted debt securities, bank loans and medium-term notes payable. Interest income derived from bank deposits are principally based on deposits rates offered by banks in Hong Kong and the prime interest rate in the Hong Kong banking market respectively. The Group's listed bonds and loans receivable with fixed rates of interest terms are not subject to significant interest rate risk. Interest income generated from the Group's loans receivable with floating rate of interest terms is determined with reference to the Hong Kong Inter-Bank Offered Rates and London Inter-Bank Offered Rates.

Hedges of interest rate risk

Interest rate swap, denominated in United States dollars, has been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swap which has been designated as cash flow hedge of the interest rate risk inherent in the Group's variable rate medium-term notes payable at the end of the reporting period:

	2020 $'000	*2019* $'000
Notional amount	5,425,095	5,451,289
Carrying amount		
- Derivative financial liabilities (note 16)	(72,057)	(92,472)

37 Financial risk management (continued)

The swap matures over the next 0.4 years (2019: 1.4 years) matching the maturity of the related notes payable (see note 28) and have fixed swap rate of 4.052% p.a. (2019: 4.052%).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swap and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the notes payable. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationship:

	2020 $'000	*2019* $'000
Balance at 1 January	(92,334)	(31,343)
Effective portion of the cash flow hedge recognised in other comprehensive income	(84,464)	(84,159)
Amounts reclassified to profit or loss (note (i))	105,531	23,168
Income tax effect	11,760	-
Balance at 31 December (note (ii))	(59,507)	(92,334)
Change in fair value of the interest rate swap during the year	(84,464)	(84,159)
Effective portion of the cash flow hedge recognised in other comprehensive income	(84,464)	(84,159)

Notes:

(i) Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 8).

(ii) The entire balance in the hedging reserve relates to continuing hedge.

37 Financial risk management (continued)

Sensitivity analysis

The following table demonstrates the sensitivity of a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity.

	Change in interest rates (basis points)	*Effect on profit before tax* $'000	*Effect on equity* $'000
At 31 December 2020			
Interest bearing bank deposits	+/-25	+/-8,532	+/-7,125
Loans receivable subject to floating rate of interest	+/-25	+/-12,689	+/-10,595
Accounts receivable	+/-25	+/-8,202	+/-6,848
Financial assets purchased under resell agreements	+/-25	+/-443	+/-370
Bank loans	+/-25	-/+68,663	-/+57,333
Financial assets sold under repurchase agreements	+/-25	-/+2,310	-/+1,929
At 31 December 2019			
Interest bearing bank deposits	+/-25	+/-11,196	+/-9,349
Loans receivable subject to floating rate of interest	+/-25	+/-25,750	+/-21,502
Accounts receivable	+/-25	+/-9,073	+/-7,576
Bank loans	+/-25	-/+90,316	-/+75,414
Financial assets sold under repurchase agreements	+/-25	-/+1,425	-/+1,190

The sensitivity analysis above indicates the annualised impact on the Group's interest income and expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis for 2019.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages its foreign currency exposure by matching the currencies of its financial assets and liabilities.

37 Financial risk management (continued)

The major transactions of the Group are entered in Hong Kong dollars, United States dollars, Renminbi and Australian dollars. As Hong Kong dollar is pegged to the United States dollar, the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant.

The following table demonstrates the exposure to foreign currency risk at the end of the reporting period and sensitivity for a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax and equity.

	Renminbi $'000	*Australian dollar* $'000	*Euro* $'000
At 31 December 2020			
Exposure (expressed in Hong Kong dollars)			
Cash and cash equivalents	5,204,319	892	48,486
Loans receivable	2,692,497	-	-
Accounts receivable	175,604	-	-
Other assets	11,548	-	-
Unlisted equity securities	1,704,161	122,565	-
Unlisted debt securities	386,626	-	-
Unlisted fund investments	962,081	-	-
Derivative financial assets	77,345	-	-
Prepayments, deposits and other receivables	100,698	-	-
Other payables and accruals	(354,673)	(75)	-
Bank loans	(6,750,220)	-	-
Financial liabilities at fair value at profit or loss	(489,324)	-	-
Derivative financial liabilities	(79,193)	-	-
	3,641,469	123,382	48,486
Sensitivity analysis			
Percentage change in foreign exchange rate	+/-1%	+/-1%	+/-1%
Effect on profit before tax	+/-37,209	+/-1,234	+/-485
Effect on equity	+/-28,370	+/-1,030	+/-405
At 31 December 2019			
Exposure (expressed in Hong Kong dollars)			
Cash and cash equivalents	2,420,817	1,033	10,454
Loans receivable	2,046,988	-	-
Accounts receivable	31,316	-	-
Other assets	224	-	-
Listed equity securities	30,116		
Unlisted equity securities	1,740,520	383,489	-
Unlisted debt securities	677,740	-	-
Unlisted fund investments	851,639	-	-
Derivative financial assets	43	-	-
Prepayments, deposits and other receivables	157,450	-	-
Other payables and accruals	(20,123)	-	-
Bank loans	(6,724,837)	-	-
Financial liabilities at fair value at profit or loss	(504,408)	-	-
Derivative financial liabilities	(732)	-	-
	706,753	384,522	10,454
Sensitivity analysis			
Percentage change in foreign exchange rate	+/-1%	+/-1%	+/-1%
Effect on profit before tax	+/-6,766	+/-3,845	+/-104
Effect on equity	+/-5,579	+/-3,210	+/-87

37 Financial risk management (continued)

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

(iii) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. To manage the equity price risk, the performance of the investee company is regularly reviewed.

The Group's exposure to equity price risk relates principally to its investments in listed and unlisted equity securities, unlisted fund instruments and unlisted convertible financial instruments which are classified as financial assets at fair value through profit or loss.

The following table demonstrates the sensitivity of the Group's profit before tax and equity to every 10% change in the fair values of the above investments, where material:

	Change in equity price	*Effect on profit before tax* $'000	*Effect on equity* $'000
At 31 December 2020			
Listed equity securities	+/-10%	+/-59,601	+/-49,767
Unlisted equity securities	+/-10%	+/-787,359	+/-639,164
Unlisted fund instruments	+/-10%	+/-485,123	+/-387,858
Unlisted convertible financial instruments	+/-10%	+/-153,355	+/-128,052
At 31 December 2019			
Listed equity securities	+/-10%	+/-376,628	+/-316,999
Unlisted equity securities	+/-10%	+/-596,569	+/-486,333
Unlisted fund instruments	+/-10%	+/-342,360	+/-272,753
Unlisted convertible financial instruments	+/-10%	+/-351,341	+/-293,370

The sensitivity analysis above indicates the instantaneous change on the Group's profit before tax and equity that would arise assuming that the change in fair values had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

37 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The credit risk of the Group's financial assets, including bank balances, accounts receivable, accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts, loans receivable and debt securities classified as FVOCI, has a maximum exposure that equals to the carrying amounts of these instruments.

For the bank balances, the Group is not exposed to significant credit risk because they are mainly placed with the immediate holding company, fellow subsidiaries of the Group and recognised banks in Hong Kong.

Accounts receivable in respect of fees from clients are closely monitored by management. Project managers are delegated with the responsibility of monitoring collectability and reporting to management. For the accounts receivable in respect of receivable from brokers, the Group is not exposed to significant risk because they are recognised and creditworthy financial institutions. There was no significant concentration risk of accounts receivable to a single party as at the end of the reporting period. Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable in respect of fees from clients are disclosed in note 18 to the financial statements.

In respect of the credit risk of the Group's accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts, the Group's credit policy specifies the credit approval, review and monitoring processes. All new clients of the Group are subject to account opening procedures which include financial background checks for credit verification purpose. Credit limit applications are guided by a set of credit principles and these applications are subject to regular independent review. Credit exposures are monitored against trading and credit limits and other control limits. The Group also adopts a multi-level process requiring credit approval at successively higher levels or committees depending on, among other things, the size and nature of the proposed transactions. The fair value of the collaterals at its prevailing market prices and their adequacy is periodically reviewed and monitored to cover the accounts receivable due from the clients. If there is evidence of impairment in the accounts receivable, the Risk Management Department will estimate recoverability of the accounts on an individual basis and determine an appropriate level of impairment allowance on these accounts.

The following table provides information about the Group's exposure to credit risk and ECLs for gross accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts as at 31 December 2020:

	2020 $'000	*2019* $'000
Gross carrying amount	4,203,819	4,288,653
Expected credit losses	13,016	11,399
Expected loss rate	0.31%	0.27%

37 Financial risk management (continued)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Collaterals are obtained from margin financing clients, and comprise listed equities pledged against the margin financing receivables. The fair value of collaterals at its prevailing market price as at 31 December 2020 amounted to $18,883 million (2019: $19,104 million). To mitigate the risk of a fall in value of the collaterals, minimum margin requirement must be maintained by the margin client and any deficiencies covered by appropriate margin call. The collaterals will only be liquidated if clients fail to meet their margin obligations. No collateral was repledged during the year. The Group considers the accounts receivable as doubtful if the fair values of the collaterals at prevailing market prices is inadequate to cover the accounts receivable from the clients or there is illiquidity concern of the collaterals in the market. At the end of the year, 60% (2019: 79%) of the Group's accounts receivable were due from the Group's five largest customers.

In respect of the credit risk of the Group's loans receivable and debt securities classified as FVOCI and FVPL, project managers are delegated with the responsibility of monitoring collectability and reporting to management. The Group periodically reviews the fair value of the collaterals at their prevailing market prices and monitors their adequacy to cover the loans receivable and monitors the performance of counterparties for assessing the default risk of the debt securities. Further quantitative data in respect of the Group's exposure to credit risk arising from FVPL investment, FVOCI investment and loans receivable are disclosed in notes 14, 15 and 19 to the financial statements respectively.

The following table presents an analysis of debt securities classified FVOCI and FVPL by rating agency designation at the end of the reporting period, based on Standard and Poor's ratings or their equivalent to the respective issuers of the investments:

	2020	*2019*
	$'000	$'000
Listed		
A- to A+	1,504,023	929,533
Lower than A-	10,856,970	12,533,013
Unlisted		
Unrated	1,920,180	5,428,847
	14,281,173	18,891,393

37 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they are due. The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding from the immediate holding company and other fellow subsidiaries.

The contractual remaining maturity profile of the Group's financial assets and financial liabilities (including those based on the contractual undiscounted payments) as at 31 December was as follows:

	Carrying amount					
	On demand	*Less than 3 months*	*3 to 12 months*	*Over 1 year*	*Undated*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2020						
Assets						
Cash and cash equivalents	8,355,131	27,961	-	-	-	8,383,092
Term deposits	-	1,162,791	3,829,272	2,441,860	-	7,433,923
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	4,190,803	-	-	-	4,190,803
Financial assets at FVPL	338,320	7,789	1,002,576	2,341,359	9,511,370	13,201,414
Financial assets at FVOCI	-	-	108,985	9,310,877	33,650	9,453,512
Derivative financial assets	-	24,295	53,050	-	-	77,345
Financial assets purchased under resell agreement	-	-	-	-	177,032	177,032
Prepayments, deposits and other receivables	-	93,205	810,604	638,624	13,584	1,556,017
Accounts receivable	-	2,051	164,385	43,061	-	209,497
Loans receivable	-	-	2,231,498	8,698,795	-	10,930,293
Investments in joint ventures designated at FVPL	-	-	-	-	4,980,717	4,980,717
Tax recoverable	-	-	24,475	-	-	24,475
Other assets	-	-	-	-	23,981	23,981
	8,693,451	5,508,895	8,224,845	23,474,576	14,740,334	60,642,101

	Contractual undiscounted cash flow						
	On demand	*Less than 3 months*	*3 to 12 months*	*Over 1 year*	*Undated*	*Total*	*Carrying amount as at 31 December*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Bank loans	-	(20,292,886)	(3,648,560)	(3,523,581)	-	(27,465,027)	(27,465,027)
Financial assets sold under repurchase agreements	-	(924,120)	-	-	-	(924,120)	(924,120)
Medium-term notes	-	-	(5,426,357)	(10,833,336)	-	(16,259,693)	(16,259,693)
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	(664,435)	-	-	-	(664,435)	(664,435)
Financial liabilities at FVPL	-	(38,932)	(78,994)	(564,088)	-	(682,014)	(682,014)
Derivative financial liabilities	(136)	(41,780)	(54,071)	(72,057)	-	(168,044)	(168,044)
Other payables and accruals	-	(634,551)	(2,072,016)	(53,133)	-	(2,759,700)	(2,759,700)
Tax payable	-	-	(251,048)	-	-	(251,048)	(251,048)
Lease liabilities	-	(38,715)	(116,143)	(396,786)	-	(551,644)	(509,859)
	(136)	(22,635,419)	(11,647,189)	(15,442,981)	-	(49,725,725)	(49,683,940)

37 Financial risk management (continued)

	Carrying amount					
	On demand $'000	*Less than 3 months* $'000	*3 to 12 months* $'000	*Over 1 year* $'000	*Undated* $'000	*Total* $'000
At 31 December 2019						
Assets						
Cash and cash equivalents	4,478,502	28,076	-	-	-	4,506,578
Term deposits	-	750,000	3,309,677	2,840,900	-	6,900,577
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	4,277,254	-	-	-	4,277,254
Financial assets at FVPL	394,010	2,713,982	1,487,941	4,530,691	7,611,870	16,738,494
Financial assets at FVOCI	-	68,587	1,211,904	8,902,777	30,116	10,213,384
Derivative financial assets	-	-	1,629	-	-	1,629
Prepayments, deposits and other receivables	-	372,499	443,331	552,707	11,467	1,380,004
Accounts receivable	-	5,789	73,257	664	-	79,710
Loans receivable	-	2,112,129	4,140,004	9,332,577	-	15,584,710
Investments in joint ventures designated at FVPL	-	-	-	-	5,085,203	5,085,203
Tax recoverable	-	-	13,309	-	-	13,309
Other assets	-	-	-	-	5,902	5,902
	4,872,512	10,328,316	10,681,052	26,160,316	12,744,558	64,786,754

	Contractual undiscounted cash flow						
	On demand $'000	*Less than 3 months* $'000	*3 to 12 months* $'000	*Over 1 year* $'000	*Undated* $'000	*Total* $'000	*Carrying amount as at 31 December* $'000
Liabilities							
Bank loans	-	(15,782,394)	(9,599,963)	(10,743,926)	-	(36,126,283)	(36,126,283)
Financial assets sold under repurchase agreements	-	(570,186)	-	-	-	(570,186)	(570,186)
Medium-term notes	-	(5,058,629)	-	(10,896,417)	-	(15,955,046)	(15,955,046)
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	(565,390)	-	-	-	(565,390)	(565,390)
Financial liabilities at FVPL	-	(22,954)	(504,409)	-	-	(527,363)	(527,363)
Derivative financial liabilities	-	-	(1,735)	(92,473)	-	(94,208)	(94,208)
Other payables and accruals	-	(697,905)	(952,853)	(6,530)	-	(1,657,288)	(1,657,288)
Tax payable	-	-	(316,700)	-	-	(316,700)	(316,700)
Lease liabilities	-	(33,983)	(46,066)	(44,905)	-	(124,954)	(117,597)
	-	(22,731,441)	(11,421,726)	(21,784,251)	-	(55,937,418)	(55,930,061)

38 Capital management

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholder value. In addition, several subsidiaries of the Group licensed by the Securities and Futures Commission ("SFC") are obliged to meet regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times. In order to maintain or adjust its capital structure, the Group may adjust the dividends paid to shareholders or issue new shares. The Group monitors capital on the basis of total equity as shown in the consolidated statement of financial position. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term. There is no change in the capital management objective, policies or strategy during the year.

For the licensed subsidiaries, the Group ensures each of them maintains liquid capital level adequate to support the activity level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries as required.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, derivative financial liabilities, accounts payable and other payables and accruals, less cash and cash equivalents. Capital includes issued capital and reserves, other than amounts recognised in equity relating to cash flow hedges.

The gearing ratios as at the end of the year were as follows:

	2020 $'000	*2019* $'000
Bank loans	27,465,027	36,126,283
Financial assets sold under repurchase agreements	924,120	570,186
Medium-term notes	16,259,693	15,955,046
Accounts payable	664,435	565,390
Financial liabilities at fair value through profit or loss	682,014	527,363
Derivative financial liabilities	168,044	94,208
Other payables and accruals	2,759,700	1,657,288
Less: Cash and cash equivalents	(8,382,092)	(4,506,578)
Net debt	40,540,941	50,989,186
Total equity	12,753,106	10,702,170
Add: Cash flow hedge reserves	59,507	92,334
Adjusted capital	12,812,613	10,794,504
Capital and net debt	53,353,554	61,783,690
Gearing ratio	76%	83%

39 Company-level statement of financial position as at 31 December 2020

	Note	*2020* $'000	*2019* $'000
ASSETS			
Cash and cash equivalents		2,414,808	1,396,381
Term deposits		7,434,109	6,900,611
Amounts due from subsidiaries		31,102,361	39,026,659
Derivative financial assets		-	1,104
Prepayments, deposits and other receivables		275,771	171,776
Investments in subsidiaries		7,465,524	7,465,524
Property, plant and equipment		154	154
Other assets		95	95
Deferred tax assets		17,292	950
TOTAL ASSETS		48,710,114	54,963,254
LIABILITIES			
Bank loans		20,714,806	29,401,446
Medium-term notes		16,259,693	15,955,046
Amounts due to subsidiaries		5,084,760	3,518,092
Other payables and accruals		540,870	621,735
Account payable		1,368	-
Derivative financial liabilities		88,714	93,476
Tax payable		201,985	122,277
TOTAL LIABILITIES		42,892,196	49,712,072
EQUITY			
Share capital		4,881,851	4,881,851
Retained earnings		995,574	461,665
Reserves		(59,507)	(92,334)
TOTAL EQUITY	32(b)	5,817,918	5,251,182
TOTAL EQUITY AND LIABILITIES		48,710,114	54,963,254

Approved and authorised for issue by the board of directors on 16 APR 2021

An Liyan)
) Directors
Gao Dong)

40 Comparative figures

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2020.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

KPMG

Independent auditor's report to the member of ICBC International Holdings Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of ICBC International Holdings Limited and its subsidiaries (the "Group") set out on pages 7 to 103, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the member of ICBC International Holdings Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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. This 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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 to the members of ICBC International Holdings Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

2 6 MAR 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(i)
		$'000	$'000
Revenue	4	3,667,112	3,278,294
Other net income	4	1,467,130	453,828
		5,134,242	3,732,122
Staff costs	5	(819,835)	(736,417)
Other operating expenses	7	(481,429)	(341,636)
Finance costs	8	(1,941,952)	(1,608,514)
		(3,243,216)	(2,686,567)
		1,891,026	1,045,555
Share of profits of joint ventures	9	37,066	225,685
Share of (losses)/profits of associates	10	(57,332)	344,128
Profit before tax		1,870,760	1,615,368
Tax charge	11(a)	(320,144)	(92,078)
Profit for the year		1,550,616	1,523,290
Attributable to:			
Equity shareholders of the Company		1,550,616	1,497,550
Non-controlling interests		-	25,740
Profit for the year		1,550,616	1,523,290

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 (i)*
		$'000	$'000
Other comprehensive income			
Items that would not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) investments:			
Change in fair value of FVOCI investments		(11,284)	-
Items that may be reclassified subsequently to profit or loss:			
Financial assets at FVOCI investments:			
Change in fair value of FVOCI investments		610,304	(986,796)
Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments		32,849	3,208
Expected credit loss on FVOCI investments		15,432	(24,536)
Deferred tax effect		(124,126)	162,207
		534,459	(845,917)
Hedging reserve:			
Cash flow hedge: net movement in the hedging reserve		(60,991)	(31,343)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 (i)*
		$'000	$'000
Exchange differences on translation of foreign operations		(21,290)	(17,744)
Other comprehensive income for the year, net of tax		440,894	(895,004)
Total comprehensive income for the year		1,991,510	628,286
Attributable to:			
Equity shareholders of the Company		1,991,500	602,546
Non-controlling interests		10	25,740
Total comprehensive income for the year		1,991,510	628,286

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages 17 to 103 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 Note*
		$'000	$'000
ASSETS			
Cash and cash equivalents	12(a)	4,506,578	5,166,863
Term deposits	12(b)	6,900,577	3,624,397
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	13(a)	4,277,254	4,692,134
Financial assets at fair value through profit or loss	14	16,738,494	14,465,103
Financial assets at fair value through other comprehensive income	15	10,213,384	9,083,680
Derivative financial assets	16	1,629	7,159
Prepayments, deposits and other receivables	17	1,393,313	2,009,297
Accounts receivable	18	79,710	106,992
Loans receivable	19	15,584,710	17,337,460
Investments in joint ventures	9	6,005,973	6,351,949
Investments in associates	10	965,784	1,368,349
Property, plant and equipment	21	159,962	27,521
Other assets		5,902	5,356
Deferred tax assets	23	66,726	197,221
TOTAL ASSETS		66,899,996	64,443,481
LIABILITIES			
Bank loans	24	36,126,283	35,844,731
Financial assets sold under repurchase agreements	25	570,186	1,299,589
Medium-term notes and fixed rate notes payable	26	15,955,046	16,006,326
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	13(b)	565,390	41,196
Financial liabilities at fair value through profit or loss	14	527,363	661,913
Derivative financial liabilities	16	94,208	52,332
Lease Liabilities	20	117,597	-
Other payables and accruals	28	1,657,288	1,554,172
Tax payable		316,700	176,674
Deferred tax liabilities	23	267,765	88,220
TOTAL LIABILITIES		56,197,826	55,725,153

Consolidated statement of financial position as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 Note*
		$'000	$'000
EQUITY			
Share capital	29	4,881,851	4,881,851
Retained profits		5,996,724	4,453,710
Reserves	30	(244,521)	(685,339)
Total equity attributable to equity shareholders of the Company		10,634,054	8,650,222
Non-controlling interests		68,116	68,106
TOTAL EQUITY		10,702,170	8,718,328
TOTAL EQUITY AND LIABILITIES		66,899,996	64,443,481

Approved and authorised for issue by the board of directors on 2 6 MAR 2020

An Liyan) Directors
Gao Dong)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages 17 to 103 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Share capital $'000	Retained profits $'000	Exchange and other reserves $'000	FVOCI investment revaluation reserve (recycling) $'000	FVOCI investment revaluation reserve (non-recycling) $'000	Hedging reserve $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
At 1 January 2019	4,881,851	4,453,710	161	(654,157)	-	(31,343)	8,650,222	68,106	8,718,328
Profit for the year	-	1,550,616	-	-	-	-	1,550,616	-	1,550,616
Other comprehensive income:									
- Change in fair value of FVOCI investments	-	-	-	610,304	(11,284)	-	599,020	-	599,020
- Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments	-	-	-	32,849	-	-	32,849	-	32,849
- Expected credit loss on FVOCI investments	-	-	-	15,432	-	-	15,432	-	15,432
- Deferred tax effect	-	-	-	(124,126)	-	-	(124,126)	-	(124,126)
- Exchange differences on translation of foreign operations	-	-	(21,300)	-	-	-	(21,300)	10	(21,290)
- Cash flow hedge: net movement in the hedging reserve	-	-	-	-	-	(60,991)	(60,991)	-	(60,991)
Total comprehensive income for the year	-	1,550,616	(21,300)	534,459	(11,284)	(60,991)	1,991,500	10	1,991,510
	4,881,851	6,004,326	(21,139)	(119,698)	(11,284)	(92,334)	10,641,722	68,116	10,709,838
- Acquisition of a subsidiary	-	(7,602)	(66)	-	-	-	(7,668)	-	(7,668)
At 31 December 2019	4,881,851	5,996,724	(21,205)	(119,698)	(11,284)	(92,334)	10,634,054	68,116	10,702,170

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Share capital $'000	*Retained profits* $'000	*Exchange and other reserves* $'000	*FVOCI investment revaluation reserve (recycling)* $'000	*Hedging reserve* $'000	*Sub-total* $'000	*Non-controlling interests* $'000	*Total* $'000
At 1 January 2018	4,881,851	2,956,160	46,744	191,760	-	8,076,515	41,470	8,117,985
Profit for the year	-	1,497,550	-	-	-	1,497,550	25,740	1,523,290
Other comprehensive income:								
- Change in fair value of FVOCI investments	-	-	-	(986,796)	-	(986,796)	-	(986,796)
- Transfer from FVOCI investment revaluation reserve to profit or loss upon disposal of investments	-	-	-	3,208	-	3,208	-	3,208
- Reversal of expected credit loss on FVOCI investments	-	-	-	(24,536)	-	(24,536)	-	(24,536)
- Deferred tax effect	-	-	-	162,207	-	162,207	-	162,207
- Exchange differences on translation of foreign operations	-	-	(17,744)	-	-	(17,744)	-	(17,744)
- Cash flow hedge: net movement in the hedging reserve	-	-	-	-	(31,343)	(31,343)	-	(31,343)
Total comprehensive income for the year	-	1,497,550	(17,744)	(845,917)	(31,343)	602,546	25,740	628,286
	4,881,851	4,453,710	29,000	(654,157)	(31,343)	8,679,061	67,210	8,746,271
- Disposal of a subsidiary	-	-	(28,839)	-	-	(28,839)	13,242	(15,597)
- Capital injection from non-controlling interests	-	-	-	-	-	-	62,573	62,573
- Dividend to non-controlling interests	-	-	-	-	-	-	(74,919)	(74,919)
At 31 December 2018	4,881,851	4,453,710	161	(654,157)	(31,343)	8,650,222	68,106	8,718,328

The notes on pages 17 to 103 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 Note*
		$'000	$'000
Operating activities			
Profit before tax		1,870,760	1,615,368
Adjustments for:			
Interest income	4	(2,997,418)	(2,782,620)
Finance costs	8	1,941,952	1,608,514
Net realised and unrealised gains on financial assets at FVPL	4	(981,106)	(430,983)
Net realised and unrealised (gains)/losses on derivative financial instruments	4	(272,947)	12,451
Net realised and unrealised losses on financial liabilities at FVPL	4	1,853	27,569
Net realised losses on disposal of financial assets at FVOCI	4	32,849	3,208
Share of profits of joint ventures measured at equity method		(37,066)	(225,685)
Share of losses/(profits) of associates measured at equity method		57,332	(344,128)
Charge/(reversal) of expected credit loss	4	59,247	(31,672)
Depreciation	21	135,175	9,325
Loss on disposal of property, plant and equipment		-	11
Loss on disposal of subsidiaries		-	5,959
Operating loss before changes in working capital		(189,369)	(532,683)
Decrease/(increase) in accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts		410,855	(2,334,086)
(Increase)/decrease in financial assets at FVPL		(693,680)	2,374,294
Decrease in derivative financial assets		5,530	1,259
Increase/(decrease) in derivative financial liabilities		252,284	(10,507)
Decrease/(increase) in prepayments, deposits and other receivables		869,940	(511,482)

Consolidated cash flow statement for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 Note*
		$'000	$'000
Operating activities (continued)			
Decrease/(increase) in accounts receivable		20,875	(86,104)
Decrease/(increase) in loans receivable		1,720,188	(1,536,717)
(Increase)/decrease in other assets		(546)	2,830
Increase in financial assets at FVOCI		(524,892)	(2,214,882)
Increase/(decrease) in accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts		524,194	(418,268)
(Decrease)/increase in financial liabilities at FVPL		(136,403)	485,609
Increase in term deposits		(3,276,208)	(3,624,397)
Increase/(decrease) in other payables and accruals		89,938	(3,913,899)
Cash used in operations		(927,294)	(12,319,033)
Interest received		2,654,131	2,462,031
Interest paid		(1,846,848)	(1,587,970)
Hong Kong Profits Tax refunded/(paid)		93,526	(351,798)
Overseas tax paid		(8,046)	(4,787)
Net cash used in operating activities		(34,531)	(11,801,557)
Investing activities			
Payment for purchase of property, plant and equipment	21	(44,138)	(16,686)
Proceeds from disposal of property, plant and equipment		4,900	76
Payment for investment in joint ventures and associates, net		(137,426)	(3,473,167)
Acquisition of a subsidiary		(11,309)	-
Dividend from associates		10,941	-
Dividend from joint ventures		172,470	-
Net cash used in investing activities		(4,562)	(3,489,777)

Consolidated cash flow statement for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018 Note*
		$'000	$'000
Financing activities			
Capital element of lease rentals paid	12(c)	(111,826)	-
Proceeds from medium-term notes	12(c)	5,484,286	5,493,212
Repayment of medium-term notes and fixed rate notes	12(c)	(5,480,925)	-
Proceeds from bank loans from related companies, net	12(c)	2,388,362	130,438
(Repayment of)/ proceeds from other bank loans, net	12(c)	(2,106,810)	8,005,083
(Repayment of)/ proceeds from financial assets sold under repurchase agreements, net	12(c)	(748,772)	1,286,541
Interest element of lease rentals paid	12(c)	(5,724)	-
Dividend paid to non-controlling interests		-	(74,919)
Capital injection from non-controlling interests		-	62,573
Net payment of interest rate swap	12(c)	(22,918)	(14,456)
Net cash (used in)/generated from financing activities		(604,327)	14,888,472
Net decrease in cash and cash equivalents		(643,420)	(402,862)
Cash and cash equivalents at the beginning of year		5,166,863	5,450,239
Effect of foreign exchange rate changes		(16,865)	119,486
Cash and cash equivalents at the end of year	12	4,506,578	5,166,863

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages 17 to 103 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate information

ICBC International Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong together with its subsidiaries known as the "Group" hereafter. The Company has its registered office and principal place of business at 37/F, ICBC Tower, 3 Garden Road, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities brokerage, margin financing and underwriting
- dealing in futures and options contracts
- provision of credit facilities and financing
- provision of investment consultancy services
- investment holding
- provision of asset management services
- provision of corporate finance and financial advisory services

At 31 December 2019, the directors consider the immediate holding company and the ultimate holding company of the Company to be Industrial and Commercial Bank of China Limited, which is incorporated in the People's Republic of China ("PRC"). The ultimate holding company produces financial statements available for public use.

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and its subsidiaries and the Group's investments in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out in note 2.4:

- Financial assets/liabilities at fair value through profit or loss;

- Derivative financial instruments;

- Financial assets at fair value through other comprehensive income; and

- Investment in joint ventures and associates, designated at fair value through profit or loss.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.3 Changes in accounting policies (continued)

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 32(a). For an explanation of how the Group applies lessee accounting, see note 2.4(d)

2.3 Changes in accounting policies (continued)

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.052%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 32(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	162,837
Less: commitments relating to leases exempted from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(286)
	162,551
Less: total future interest expenses	(12,509)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	150,042
Total lease liabilities recognised at 1 January 2019	150,042

2.3 Changes in accounting policies (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 $'000	*Capitalisation of operating lease contracts* $'000	*Carrying amount at 1 January 2019* $'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	27,521	150,042	177,563
Total assets	**64,443,481**	**150,042**	**64,593,523**
Lease liabilities	-	150,042	150,042
Total liabilities	**55,725,153**	**150,042**	**55,875,195**
Net assets	**8,718,328**	**-**	**8,718,328**

2.3 Changes in accounting policies (continued)

c. Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 12(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 12(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				*2018*
	Amounts reported under HKFRS 16 (A) $'000	*Add back: HKFRS 16 depreciation and interest expense* (B) $'000	*Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1)* (C) $'000	*Hypothetical amounts for 2019 as if under HKAS 17* (D=A+B-C) $'000	*Compared to amounts reported for 2018 under HKAS 17* $'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Finance costs	(1,941,952)	5,724	-	(1,936,228)	(1,608,514)
Profit before taxation	**1,870,760**	**118,612**	**(117,550)**	**1,871,822**	**1,615,368**
Profit for the year	**1,550,616**	**118,612**	**(117,550)**	**1,551,678**	**1,523,290**

2.3 Changes in accounting policies (continued)

	2019			*2018*
	Amounts reported under HKFRS 16 (A)	*Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2)* (B)	*Hypothetical amounts for 2019 as if under HKAS 17* (C=A+B)	*Compared to amounts reported for 2018 under HKAS 17*
	$'000	$'000	$'000	$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(927,294)	(117,550)	(1,044,844)	(12,319,033)
Net cash used in operating activities	**(34,531)**	**(117,550)**	**(152,081)**	**(11,801,557)**
Capital element of lease rentals paid	(111,826)	111,826	-	-
Interest element of lease rentals paid	(5,724)	5,724	-	-
Net cash (used in)/ generated from financing activities	**(604,327)**	**117,550**	**(486,777)**	**14,888,472**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2.4 Summary of significant accounting policies

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Group. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Group. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with the respective accounting policies discussed in this note depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate.

In the Group's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 Summary of significant accounting policies (continued)

(b) Joint ventures and associates

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Some of the investment in a joint venture or an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture or associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture or the associate.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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, such investment is exempted from applying equity method and is recognised as a financial asset at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have joint control over a joint venture or significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control or significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2.4 Summary of significant accounting policies (continued)

(c) Related parties

(I) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(II) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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.
- (vi) The entity is controlled or jointly controlled by a person identified in (I).
- (vii) A person identified in (I)(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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(d) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2.4 Summary of significant accounting policies (continued)

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4 (e)), except for the following types of right-of-use asset:

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 2.4 (e)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' (note 21) and presents lease liabilities (note 20) separately in the statement of financial position.

2.4 Summary of significant accounting policies (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payment under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance lease, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets are not transferred to the lessee are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the leased terms.

(e) Property, plant and equipment and depreciation

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.4(i)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2.4(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2.4 Summary of significant accounting policies (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- Buildings	Over the shorter of the unexpired period of lease and 30 years
- Leasehold improvements	Over the unexpired period of lease
- Furniture, fixtures and office equipment	18% to 50%
- Computer equipment	19% to 33.3%
- Motor vehicles	9% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of significant accounting policies (continued)

(f) Investments and other financial assets

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 34(a). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.4(r)).

- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2.4(r).

2.4 Summary of significant accounting policies (continued)

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2.4(h)).

(h) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges).

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

2.4 Summary of significant accounting policies (continued)

(i) Credit losses and impairment

(1) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, term deposits, accounts receivable, deposits and other receivables and loans receivable);

- debt securities measured at FVOCI (recycling); and

- financial guarantee contracts issued.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2.4 Summary of significant accounting policies (continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2.4 Summary of significant accounting policies (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2.4(r) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(2) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

2.4 Summary of significant accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) 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 derecognised when:

- the rights to receive cash flows from the asset have expired;

- 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of significant accounting policies (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, bank loans, accounts payable and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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 finance costs in profit or loss.

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.

2.4 Summary of significant accounting policies (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. This category 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

(l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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.

(n) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; option pricing models or any other valuation models.

(o) Cash and cash equivalents and term deposits

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with a short maturity of within three months when acquired, which are not restricted to use.

2.4 Summary of significant accounting policies (continued)

Term deposits with a longer maturity of more than three months when acquired are presented separately as term deposits.

Cash and cash equivalents and term deposits are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.4(i)(1).

(p) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2.4 Summary of significant accounting policies (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

2.4 Summary of significant accounting policies (continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

All transactions related to securities trading, futures and options contracts dealings and commission income are recorded in the financial statements based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting year have been taken into account.

Revenue on service contracts in respect of advisory, underwriting, sub-underwriting and placement of securities is recognised in the financial statements once the performance obligations under the contract have been performed and the Group is expected to be entitled to the promised consideration.

Asset management fees are recognised on a time-proportion basis with reference to the net asset value of the managed accounts. Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period. Front-end fees are recognised on a straight-line basis over the estimated holding periods of the investors in the managed accounts. Any unrecognised amounts are treated as deferred income.

Interest income is recognised as it accrues using the effective interest rate method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.4(i)(1)).

Dividend income is recognised, gross of withholding tax, when the shareholder's right to receive payment is established.

2.4 Summary of significant accounting policies (continued)

(s) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year or prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated included in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.4 Summary of significant accounting policies (continued)

(u) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

Profit sharing and bonus plans

There are no profit sharing plans in relation to the performance of the Group itself. The Group has a discretionary bonus plan which is based on the performance of the individual as well as the performance of the Group and its subsidiaries. Liabilities for payments under the discretionary bonus plan are recognised when the Group has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(v) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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 net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 Summary of significant accounting policies (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, 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, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(w) Accounts receivable and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.4(i)(1)).

(x) Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements with a commitment to repurchase at a specific future date continue to be recognised, which do not result in derecognition of the financial assets in the consolidated statement of financial position, and are recorded as financial assets at fair value through other comprehensive income. The proceeds from selling such assets are presented as "cash and cash equivalents" and "financial assets sold under repurchase agreements" in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

(y) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.4(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.4(w)).

3 Significant accounting estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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 are discussed below.

Fair value of convertible financial instruments and other unlisted investments

The Group's investments in convertible financial instruments and other unlisted investments are carried as unlisted debt or equity securities in financial assets at fair value through profit or loss. The Group also designates certain investments in joint venture and associates at fair value through profit or loss.

The fair value of these investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. These valuations require level of judgement of the Group to make estimates about expected future cash flows, credit risks, discount rates, volatilities and operating results. The inclusion of these estimates in determining the fair values are subject to uncertainty. As at 31 December 2019, the aggregate fair value of the convertible financial instruments and unlisted investments was approximately $9,692,932,000 (2018: $7,454,354,000). The aggregate fair value of investment in joint ventures and associates designated at fair value through profit or loss was approximately $5,085,203,000 (2018: $5,760,764,000). The aggregate fair value of the unlisted option and warrant component in derivative financial assets and liabilities was approximately Nil (2018: $1,000) and Nil (2018: $70,000), respectively. Further details of these investments are included in notes 9, 10, 14, 16 and 34.

3 Significant accounting estimates (continued)

Deferred tax assets

The Group recognises deferred tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. As at 31 December 2019, deferred tax assets of $66,726,000 (2018: $197,221,000) have been recognised.

Determining the lease term

As explained in policy note 2.4(d), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 Revenue and other net income

The principal activities of the Group are investment holding, provision of corporate finance, financial advisory, research, asset management, brokerage, underwriting and securities margin financing services. An analysis of revenue and other net income is as follows:

	2019 $'000	*2018* $'000
Revenue		
Corporate finance advisory fee	312,103	176,074
Underwriting and placing commission for securities listed on		
- the Stock Exchange of Hong Kong Limited	164,882	138,541
- overseas exchanges	33,070	42,555
	197,952	181,096
Asset management fee	85,004	84,339
Brokerage commission for securities dealing on		
- the Stock Exchange of Hong Kong Limited	70,867	44,616
- overseas exchanges	3,768	9,549
	74,635	54,165
Interest income from		
- financial assets at FVOCI		
- listed securities	687,547	659,273
- financial assets at FVPL		
- listed securities	441,086	528,410
- unlisted securities	258,578	170,134
- loans to customers	1,139,690	1,191,446
- general clients	1,500	3,045
- margin clients	230,605	164,425
- authorised institutions	238,412	65,887
	2,997,418	2,782,620
Total revenue	3,667,112	3,278,294

The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

4 Revenue and other net income (continued)

	2019	*2018*
	$'000	$'000
Other net income		
Exchange losses, net	(35,350)	(61,646)
Trading income on market making of RMB currency contracts	561	2,715
Net realised and unrealised gains on currency contracts	8,684	6,154
Net realised and unrealised gains/(losses) on bond trading business	63,644	(4,626)
Net realised and unrealised gains on financial assets at FVPL	981,106	430,983
Net realised and unrealised losses on financial liabilities at FVPL	(1,853)	(27,569)
Net realised losses on disposal of financial assets at FVOCI	(32,849)	(3,208)
Net realised and unrealised gains/(losses) on derivative financial instruments	272,947	(12,451)
Net realised losses on disposal of subsidiaries	-	(5,959)
Dividend income	123,745	81,888
(Charge)/reversal of ECL (note 22)	(59,247)	31,672
Service income	93,806	-
Others	51,936	15,875
Other net income	1,467,130	453,828
	5,134,242	3,732,122

5 Staff costs

	2019	*2018*
	$'000	$'000
Salaries and allowances	778,496	700,445
Pension scheme contributions	36,514	32,462
Long term employee benefits	4,825	3,510
	819,835	736,417

Staff costs include directors' emoluments (note 6).

6 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019 $'000	*2018* $'000 (Restated)
Fees	-	-
Other emoluments:		
- Salaries, bonuses and allowances	14,034	14,775
- Pension scheme contributions	842	842
	14,876	15,617

The amount of the total other emoluments has not yet been determined as the evaluation has not been completed. Comparative figures of 2018 were restated to reflect the total emoluments after the issue of audited report for the year end 2018.

7 Other operating expenses

	2019 $'000	*2018* $'000
Brokerage and commission expenses for securities and futures dealing businesses	44,284	24,484
Minimum lease payments under operating leases	1,640	83,331
Other office expenses	22,179	14,840
Technology and communication costs	78,995	40,240
Legal and professional fees	34,150	21,839
Auditors' remuneration	3,882	3,845
Depreciation	135,175	9,325
Travel and entertainment expenses	43,678	44,047
Project sharing expenses	58,077	24,575
Other administrative expenses	59,369	75,110
	481,429	341,636

8 Finance costs

	2019	*2018*
	$'000	$'000
Interest expense to:		
- margin clients	866	598
- general clients	434	298
- medium-term notes and fixed rate notes payable	633,213	412,185
- other loan payable	102,443	179,411
- authorised institutions repayable within five years	1,176,104	1,001,539
Interest on lease liabilities (note 20)	5,724	-
Interest-rate swap: cash flow hedges, reclassified from equity	23,168	14,483
	1,941,952	1,608,514

9 Investments in joint ventures

	2019	*2018*
	$'000	$'000
Investments in joint ventures		
- at equity method	920,770	1,043,881
- designated at fair value through profit or loss	5,085,203	5,308,068
	6,005,973	6,351,949

Details of the Group's investments in material joint ventures, which are accounted for using the equity method in the consolidated financial statements unless otherwise specified, are as follows:

Name	*Place of incorporation and business*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Principal activities*
天津工銀國際資本經營合夥企業 (有限合夥)	PRC	RMB15,510,000	50%	Investment Holding (Note 1)
天津工銀國際投資顧問合夥企業 (有限合夥)	PRC	RMB2,000,000	50%	Investment Advisory (Note 2)

Note 1: 天津工銀國際資本經營合夥企業 (有限合夥) was established by the Group with a private company in Hong Kong in 2011 to carry out fund setting up and investment management activity in Mainland China.

Note 2: 天津工銀國際投資顧問合夥企業 (有限合夥) was established by the Group with a private company in Hong Kong in 2011 to carry out investment advisory activity in Mainland China.

9 Investments in joint ventures (continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	天津工銀國際資本經營合夥企業(有限合夥)		天津工銀國際投資顧問合夥企業(有限合夥)	
	2019	*2018*	*2019*	*2018*
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amounts of the joint ventures'				
Cash and cash equivalents	46,620	250,391	218,376	325,226
Other receivables	26,728	29,269	29,381	48,373
Other current assets	-	-	2,554	9,794
Non-current assets	13,383	155,180	18,851	121,432
Current liabilities	49,279	356,709	40,651	174,955
Non-current liabilities	-	-	-	-
Equity	37,452	78,131	228,511	329,870
Revenue	1,868	-	138,869	206,507
Interest income	2,541	7,985	7,154	8,191
Interest expense	-	-	-	-
Income tax expense	-	-	-	-
Profits from continuing operations	17,778	52,448	85,482	136,083
Other comprehensive income	-	-	-	-
Total comprehensive income	17,778	52,448	85,482	136,083
Dividend received from the joint ventures	323,478	-	235,380	-

	天津工銀國際資本經營合夥企業(有限合夥)		天津工銀國際投資顧問合夥企業(有限合夥)	
	2019	*2018*	*2019*	*2018*
	HK$'000	HK$'000	HK$'000	HK$'000
Reconciled to the Group's interest in the joint ventures				
Gross amounts of net assets of the joint ventures	41,886	89,052	255,563	375,978
Group's effective interest	50%	50%	50%	50%
Group's share of net assets of the joint ventures	22,096	47,643	139,161	228,476
Carrying amount in the consolidated financial statements	22,096	47,643	139,161	228,476

9 Investments in joint ventures (continued)

Aggregate information of joint ventures accounted for using equity method that are not individually material:

	2019 $'000	*2018* $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	759,513	767,762
Aggregate amounts of the Group's share of those joint ventures'		
- (Losses)/profits from continuing operations	(9,103)	101,805
Total comprehensive income	(9,103)	101,805

10 Investments in associates

	2019 $'000	*2018* $'000
Investments in associates		
- at equity method	965,784	915,653
- designated at fair value through profit or loss	-	452,696
	965,784	1,368,349

Details of the Group's investments in material associates, which are accounted for using the equity method in the consolidated financial statements unless otherwise specified, are as follows:

Name	*Place of incorporation and business*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Principal activities*
珠海思正投資諮詢合夥企业 (有限合夥) *	PRC	RMB390,246,171	36%	Investment Holding (Note 1)

* Not audited by KPMG Hong Kong or another member firm of the KPMG global network.

Note 1: 珠海思正投資諮詢合夥企业 (有限合夥) was established by the Group with a PRC private company in 2016 to carry out investment holding activity in Mainland China.

10 Investments in associates (continued)

Summarised financial information of the material associate, 珠海思正投資諮詢合夥企业 (有限合夥), adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements in 2019, is disclosed below:

	2019 RMB$'000	*2018* RMB$'000
Gross amounts of the associate		
Cash and cash equivalents	232	378
Other current assets	614,144	640,838
Non-current assets	-	-
Current liabilities	10,392	399
Non-current liabilities	-	-
Equity	603,984	640,817
Revenue	-	-
Interest income	35	-
Interest expense	-	-
Income tax expense	-	-
(Loss)/profit from continuing operations	(36,834)	250,958
Other comprehensive income	-	-
Total comprehensive income	(36,834)	250,958
Dividend received from the associate	-	-

	2019 HK$'000	*2018* HK$'000
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	675,485	730,388
Group's effective interest	36%	36%
Group's share of net assets of the associate	337,116	401,806
Carrying amount in the consolidated financial statements	337,116	401,806

10 Investments in associates (continued)

Aggregate information of associates accounted for using equity method that are not individually material:

	2019 HK$'000	*2018* HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	628,668	513,847
Aggregate amounts of the Group's share of those associates'		
- (Losses)/profits from continuing operations	(1,212)	78,922
Total comprehensive income	(1,212)	78,922

11 Income tax in the consolidated statement of profit or loss and other comprehensive income

(a) *The amount of tax charged to profit or loss represents:*

	2019 $'000	*2018* $'000
Current tax (credit)/charge		
- Hong Kong	183,047	135,381
- Overseas	12,125	16,146
Deferred tax charge (note 23(i))	185,914	(21,464)
Over-provision in prior years	(60,942)	(37,985)
	320,144	92,078

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

11 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax charged to profit or loss and accounting profit at applicable tax rates:

	2019		
	Hong Kong $'000	*PRC* $'000	*Total* $'000
Profit before tax	1,773,450	97,310	1,870,760
Notional tax on profit before taxation, calculated at statutory tax rates	292,619	24,327	316,946
Tax effect of non-deductible expenses	216,095	42,247	258,342
Tax effect of non-taxable income	(129,115)	(89,646)	(218,761)
Tax effect of unused tax losses not recognised	(89,757)	-	(89,757)
Tax effect of temporary differences not recognised	(2,523)	-	(2,523)
Tax effect of utilisation of tax losses not previously recognised	78,778	30,392	109,170
(Over)/under-provision in prior years	(61,007)	65	(60,942)
Others	7,669	-	7,669
Actual tax charged to profit or loss	312,759	7,385	320,144

	2018		
	Hong Kong $'000	*PRC* $'000	*Total* $'000
Profit before tax	1,198,482	416,886	1,615,368
Notional tax on profit before taxation, calculated at statutory tax rates	197,750	104,222	301,972
Tax effect of non-deductible expenses	158,507	68,530	227,037
Tax effect of non-taxable income	(303,041)	(183,641)	(486,682)
Tax effect of unused tax losses not recognised	130,722	19,199	149,921
Tax effect of temporary differences not recognised	(1,943)	-	(1,943)
Tax effect of utilisation of tax losses not previously recognised	(68,079)	-	(68,079)
Reversal of un-crystallised deferred tax of previous periods	7,837	-	7,837
Over-provision in prior years	(37,593)	(392)	(37,985)
Actual tax charged to profit or loss	84,160	7,918	92,078

12 Cash and cash equivalents and term deposits

(a) *Cash and cash equivalents comprise:*

	2019 $'000	*2018* $'000
Cash and bank balances	4,478,539	4,277,192
Time deposits	28,075	889,678
Less: Expected credit losses on cash and cash equivalents (note 22)	(36)	(7)
	4,506,578	5,166,863

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2019, certain subsidiaries of the Group also maintained client trust monies of $1,240,328,000 (2018: $1,163,568,000) in segregated bank accounts in accordance with the provision of Hong Kong Securities and Futures (Client Money) Rules. Client monies were not included in the cash and cash equivalents of the Group.

(b) *Term deposits*

Term deposits are stated at amortised cost, net of loss allowance. Term deposits earn interest at fixed interest rates, with longer maturities of more than three months. The term deposits are deposited with creditworthy banks with no recent history of default. As at 31 December 2019, expected credit losses of $33,000 (2018: $5,000) was included in term deposits.

As at 31 December 2019, term deposits with principal amounts of approximately $6,900,610,000 (2018: $3,624,402,000) were pledged to banks to secure borrowings of $6,490,238,000 (2018: $3,191,376,000) (see note 24).

(c) *Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

12 Cash and cash equivalents and term deposits (continued)

	Bank loans $'000 *(Note 24)*	*Financial assets sold under repurchase agreements* $'000 *(Note 25)*	*Medium-term notes and fixed rate notes* $'000 *(Note 26)*	*Interest rate swap held to hedge borrowings (liabilities)* $'000 *(Note 35(a)(i))*	*Lease liabilities* $'000 *(Note 20)*	*Total* $'000
At 31 December 2018	35,844,731	1,299,589	16,006,326	31,370	-	53,182,016
Impact on initial application of HKFRS 16 (Note)	-	-	-	-	150,042	150,042
At 1 January 2019	35,844,731	1,299,589	16,006,326	31,370	150,042	53,332,058
Changes from financing cash flows:						
Proceeds from bank loans from related companies, net	2,388,362	-	-	-	-	2,388,362
Repayment to other bank loans, net	(2,106,810)	-	-	-	-	(2,106,810)
Proceeds of medium-term-notes	-	-	5,484,286	-	-	5,484,286
Repayment of medium-term-notes and fixed rate notes	-	-	(5,480,925)	-	-	(5,480,925)
Decrease in financial assets sold under repurchase agreements	-	(748,772)	-	-	-	(748,772)
Capital element of lease rental paid	-	-	-	-	(111,826)	(111,826)
Interest element of lease rentals paid	-	-	-	-	(5,724)	(5,724)
Statement of interest rate swap	-	-	-	(22,918)	-	(22,918)
Total changes from financing cash flows	281,552	(748,772)	3,361	(22,918)	(117,550)	(604,327)
Exchange adjustments			(86,000)	(139)	(30)	(86,169)
Changes in fair value	-	-	-	84,159	-	84,159
Other changes:						
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	85,135	85,135
Amortisation	-	19,369	31,359	-	-	50,728
Total other changes	-	19,369	31,359	-	85,135	135,863
As 31 December 2019	36,126,283	570,186	15,955,046	92,472	117,597	52,861,584

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2.3(c).

12 Cash and cash equivalents and term deposits (continued)

	Bank loans $'000 *(Note 24)*	*Financial assets sold under repurchase agreements* $'000 *(Note 25)*	*Medium-term notes and fixed rate notes* $'000 *(Note 26)*	*Interest rate swap held to hedge borrowings (liabilities)* $'000 *(Note 35(a)(i))*	*Lease liabilities* $'000 *(Note 20)*	*Total* $'000
At 1 January 2018	27,709,210	-	10,487,583	-	-	38,196,793
Changes from financing cash flows:						
Proceeds from bank loans from related companies, net	130,438	-	-	-	-	130,438
Proceeds from other bank loans, net	8,005,083	-	-	-	-	8,005,083
Proceeds from medium-term-notes	-	-	5,493,212	-	-	5,493,212
Increase in financial assets sold under repurchase agreements	-	1,286,541	-	-	-	1,286,541
Settlement of interest-rate swap	-	-	-	(14,456)	-	(14,456)
Total changes from financing cash flows	8,135,521	1,286,541	5,493,212	(14,456)	-	14,900,818
Exchange adjustments	-	-	(5,094)	-	-	(5,094)
Changes in fair value	-	-	-	45,826	-	45,826
Other changes:						
Amortisation	-	13,048	30,625	-	-	43,673
Total other changes	-	13,048	30,625	-	-	43,673
As 31 December 2018	35,844,731	1,299,589	16,006,326	31,370	-	53,182,016

12 Cash and cash equivalents and term deposits (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019	*2018*
		(Note)
	$'000	$'000
Within operating cash flows	-	83,331
Within financing cash flows	117,550	-
	117,550	83,331

Note: As explained in the note to note 2.3(c), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	*2018*
	$'000	$'000
Lease rentals paid	117,550	83,331

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts

(a) Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts

	2019	*2018*
	$'000	$'000
Cash clients receivable	347,513	52,124
Margin clients receivable	3,640,525	3,878,863
Brokers receivable	17,031	739,075
Amounts receivable from clearing houses	258,439	16,358
Surplus in trust account	25,145	13,088
	4,288,653	4,699,508
Less: Expected credit losses (note 22)	(11,399)	(7,374)
	4,277,254	4,692,134

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts (continued)

All of the accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts are expected to be recovered within one year.

The aged analysis and further details on the Group's credit policies are set out in note 35(b).

(b) Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts

	2019	*2018*
	$'000	$'000
Clients payable	555,375	11,372
Brokers payable	2,212	2,074
Amounts payable to clearing houses	7,803	27,750
	565,390	41,196

All of the accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts are expected to be settled within one year or repayable on demand, and their carrying amounts approximate their fair values.

(c) Offsetting financial assets and financial liabilities

A subsidiary of the Group has entered into transactions subject to an enforceable master netting arrangement or similar agreement with counterparties. The gross amounts of recognised accounts receivable from and accounts payable to these counterparties and the net balance as shown on the consolidated statement of financial position are disclosed as follows:

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts (continued)

As at 31 December 2019

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount of recognised accounts receivable $'000	*Gross amount of recognised accounts payable set off in the consolidated statement of financial position* $'000	*Net amount of accounts receivable presented in the consolidated statement of financial position* $'000	*Related amount not set off in the consolidated statement of financial position* $'000	*Net amount* $'000
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	4,569,317	(292,063)	4,277,254	(7,803)	4,269,451

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount of recognised accounts payable $'000	*Gross amount of recognised accounts receivable set off in the consolidated statement of financial position* $'000	*Net amount of accounts payable presented in the consolidated statement of financial position* $'000	*Related amount not set off in the consolidated statement of financial position* $'000	*Net amount* $'000
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	857,453	(292,063)	565,390	(7,803)	557,587

13 Accounts receivable/(payable) arising from the ordinary course of business of dealing in securities, futures and options contracts (continued)

As at 31 December 2018

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount of recognised accounts receivable $'000	Gross amount of recognised accounts payable set off in the consolidated statement of financial position $'000	Net amount of accounts receivable presented in the consolidated statement of financial position $'000	Related amount not set off in the consolidated statement of financial position $'000	Net amount $'000
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	4,698,040	(5,906)	4,692,134	(16,358)	4,675,776

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount of recognised accounts payable $'000	Gross amount of recognised accounts receivable set off in the consolidated statement of financial position $'000	Net amount of accounts payable presented in the consolidated statement of financial position $'000	Related amount not set off in the consolidated statement of financial position $'000	Net amount $'000
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	47,102	(5,906)	41,196	(16,358)	24,838

14 Financial assets/(liabilities) at fair value through profit or loss

	2019 $'000	*2018* $000
Financial assets at fair value through profit or loss		
Listed equity securities	394,010	129,996
Listed equity securities with optionality	3,372,274	5,399,391
Listed debt securities	3,279,278	1,481,362
Unlisted fund instruments	3,423,596	1,986,915
Unlisted equity securities	840,489	1,453,754
Unlisted convertible financial instruments	3,513,408	2,438,562
Unlisted debt securities	1,915,439	1,575,123
	16,738,494	14,465,103

	2019 $'000	*2018* $'000
Financial liabilities at fair value through profit or loss		
Obligation relating to transfer of income right	-	(136,451)
Listed bonds sold short	(22,955)	(14,163)
Loan borrowing	(504,408)	(511,299)
	(527,363)	(661,913)

The fair value of unlisted investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

15 Financial assets at fair value through other comprehensive income

	2019 $'000	*2018* $'000
Listed debt securities	10,183,268	9,083,680
Listed equity securities	30,116	-
	10,213,384	9,083,680

As at 31 December 2019, the Group has made an ECLs of $109,125,000 against listed debt securities at FVOCI (2018: $93,693,000). The balances were recognised in FVOCI investment revaluation reserve (recycling).

16 Derivative financial instruments

The following is a summary of each significant type of derivatives financial instruments:

	Assets $'000	*Liabilities* $'000
At 31 December 2019		
Currency contracts	1,147	(1,004)
Futures contracts	482	(732)
Cash flow hedging instruments: Interest rate swap (note 35(a)(i))	-	(92,472)
	1,629	(94,208)
At 31 December 2018		
Unlisted options/warrants:		
- as a component of equity securities	1	(1)
Currency contracts	6,757	(172)
Futures contracts	401	(8,338)
Cash flow hedging instruments: Interest rate swap (note 35(a)(i))	-	(31,370)
Total return swaps	-	(12,451)
	7,159	(52,332)

The fair value of the options and warrants is determined by valuation models developed by an external valuation specialist appointed by the Group. Management believes that the estimated fair values resulting from these valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

17 Prepayments, deposits and other receivables

	2019	*2018*
	$'000	$'000
Interest receivables	1,161,008	823,513
Dividend receivables	-	440,408
Other receivables	185,721	717,991
Deposits	45,244	38,187
Prepayments	32,407	19,809
	1,424,380	2,039,908
Less: Expected credit losses on (note 22)		
- interest receivables	(11,210)	(9,437)
- other receivables	(19,857)	(21,174)
	(31,067)	(30,611)
	1,393,313	2,009,297

18 Accounts receivable

	2019	*2018*
	$'000	$'000
Underwriting and placement fees receivable	20,097	54,099
Advisory fees receivable	32,197	44,426
Asset management fees receivable	44,592	20,342
Less: Expected credit losses (note 22)	(17,176)	(11,875)
	79,710	106,992

Further details on the Group's credit policies are set out in note 35(b).

19 Loans receivable

	2019 $'000	*2018* $'000
Current assets		
Loans and advances to clients	6,283,386	4,476,541
Less: Expected credit losses on loans and advances to clients (note 22)	(31,253)	(52,956)
	6,252,133	4,423,585
Non-current assets		
Loans and advances to clients	9,392,322	12,963,824
Less: Expected credit losses on loans and advances to clients (note 22)	(59,745)	(49,949)
	9,332,577	12,913,875
	15,584,710	17,337,460

The loans and advances were secured loans made to corporate and individual clients and are mainly denominated in Hong Kong dollars, Renminbi or United States dollars. The loans and advances were secured by collaterals including listed equity shares, third party guarantees, shares of the subsidiaries of the borrowers and properties.

20 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		*1 January 2019 (Note)*		*31 December 2018 (Note)*	
	Present value of the minimum lease payments	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	77,107	80,049	104,446	108,392	-	-
After 1 year but within 2 years	29,060	32,258	43,802	52,138	-	-
After 2 years but within 5 years	11,430	12,647	1,794	2,021	-	-
After 5 years	-	-	-	-	-	-
	40,490	44,905	45,596	54,159	-	-
	117,597	124,954	150,042	162,551	-	-
Less: total future interest expenses		(7,357)		(12,509)		-
Present value of lease liabilities		117,597		150,042		-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.3.

21 Property, plant and equipment

(a) *Movement of property, plant and equipment*

	Land and buildings $'000	*Leasehold improvement* $'000	*Furniture, fixtures and office equipment* $'000	*Computer equipment* $'000	*Motor vehicles* $'000	*Other properties leased for own use carried at cost* $'000	*Total* $'000
Cost							
At 1 January 2018	290	40,255	19,591	45,079	5,230	-	110,445
Exchange adjustments	-	(11)	(25)	(120)	(111)	-	(267)
Additions	-	4,408	2,269	7,894	2,115	-	16,686
Disposals	-	-	(206)	(591)	(921)	-	(1,718)
At 31 December 2018	290	44,652	21,629	52,262	6,313	-	125,146
Impact on initial application of HKFRS 16 (Note)	-	-	-	-	-	150,042	150,042
At 1 January 2019	290	44,652	21,629	52,262	6,313	150,042	275,188
Exchange adjustments	-	(3)	36	56	(68)	(445)	(424)
Additions	-	19,894	6,210	16,417	1,617	78,714	122,852
Disposals	-	-	(337)	(436)	-	(8,474)	(9,247)
At 31 December 2019	290	64,543	27,538	68,299	7,862	219,837	388,369
Accumulated amortisation and depreciation:							
At 1 January 2018	(135)	(32,961)	(17,825)	(34,662)	(4,507)	-	(90,090)
Exchange adjustments	-	10	21	73	55	-	159
Charge for the year	-	(4,221)	(615)	(4,164)	(325)	-	(9,325)
Written back on disposals	-	-	196	560	875	-	1,631
At 31 December 2018	(135)	(37,172)	(18,223)	(38,193)	(3,902)	-	(97,625)
At 1 January 2019	(135)	(37,172)	(18,223)	(38,193)	(3,902)	-	(97,625)
Exchange adjustments	-	4	2	-	60	(20)	46
Charge for the year	-	(14,626)	(1,646)	(5,416)	(599)	(112,888)	(135,175)
Written back on disposals	-	-	340	276	-	3,731	4,347
At 31 December 2019	(135)	(51,794)	(19,527)	(43,333)	(4,441)	(109,177)	(228,407)
Net book value:							
At 31 December 2019	155	12,749	8,011	24,966	3,421	110,660	159,962
At 31 December 2018	155	7,480	3,406	14,069	2,411	-	27,521

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2.3

The Group's land included in property, plant and equipment with a net carrying amount of $155,000 (2018: $155,000) is situated in Hong Kong and is held under a medium-term lease.

21 Property, plant and equipment (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	*31 December 2019* $'000	*1 January 2019* $'000
Other properties leased for own use, carried at depreciated cost	(i)	219,837	150,042

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	*2018 (Note)* $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	112,888	-
Interest on lease liabilities	5,724	-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.3.

During the year ended 31 December 2019, additions to right-of-use assets were $78,714,000.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 12(d) and 20, respectively.

21 Property, plant and equipment (continued)

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 6 years. Lease payments are usually increased every 3 years to reflect market rentals.

The contracts do not include an option to extend the lease for an additional period after the end of the contract term.

During the year ended 31 December 2019, the Group leased a number of offices which does not contain variable lease payment terms.

22 Reconciliation between loss allowance charged to profit and loss and loss allowance balance

	Financial assets at FVOCI (Note 15) $'000	*Accounts receivable from the ordinary course of business of dealing in securities, futures and options contracts (Note 13)* $'000	*Deposits and other receivables (Note 17)* $'000	*Accounts receivable (Note 18)* $'000	*Cash and cash equivalents (Note 12(a))* $'000	*Term deposits (Note 12(b))* $'000	*Loans receivable (Note 19)* $'000	*Off-balance items (Note 28)* $'000	*Total* $'000
At 1 January 2018	118,229	13,799	32,668	16,513	2	-	524,824	8,101	714,136
Net charge/(reversal) of impairment losses for the year	(24,536)	(6,425)	8,009	1,411	5	5	(7,764)	(2,377)	(31,672)
Written off	-	-	(10,011)	(6,007)	-	-	(414,243)	-	(430,261)
Exchange adjustments	-	-	(55)	(42)	-	-	88	-	(9)
At 31 December 2018 and 1 January 2019	93,693	7,374	30,611	11,875	7	5	102,905	5,724	252,194
Net charge/(reversal) of impairment losses for the year	15,432	4,025	4,683	6,747	29	28	32,562	(4,259)	59,247
Written off	-	-	(4,193)	(2,400)	-	-	(44,449)	-	(51,042)
Exchange adjustments	-	-	(34)	954	-	-	(20)	-	900
At 31 December 2019	109,125	11,399	31,067	17,176	36	33	90,998	1,465	261,299

23 Deferred tax assets/(liabilities)

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses $'000	*Financial assets at fair value through other comprehensive income* $'000	*Fixed assets* $'000	*Expected credit losses* $'000	*Financial assets at fair value through profit and loss* $'000	*Total* $'000
At 1 January 2018	-	(14,429)	(21)	-	(60,220)	(74,670)
Credited to profit or loss	19,266	-	-	-	2,198	21,464
Credited to other comprehensive income	-	162,207	-	-	-	162,207
At 31 December 2018 and 1 January 2019	19,266	147,778	(21)	-	(58,022)	109,001
Credited/(charged) to profit or loss	21,900	-	(1)	38,290	(246,103)	(185,914)
Credited/(charged) to other comprehensive income	-	(124,126)	-	-	-	(124,126)
At 31 December 2019	41,166	23,652	(22)	38,290	(304,125)	(201,039)

The Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,958,256,000 (2018: $2,347,450,000) as it is not certain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under current tax legislation.

23 Deferred tax assets/(liabilities) (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2019 $'000	*2018* $'000
Net deferred tax assets	66,726	197,221
Net deferred tax liabilities	(267,765)	(88,220)
	(201,039)	109,001

24 Bank loans

At the end of the reporting period, the bank loans were repayable as follows:

	2019 $'000	*2018* $'000
Bank loans payable		
- Within 1 year	25,382,357	20,685,192
- After 1 year but within 2 years	9,113,492	6,433,137
- After 2 years but within 5 years	1,630,434	8,726,402
	36,126,283	35,844,731

As at 31 December 2019, $6,490,238,000 (2018: $3,191,376,000) of bank loans are secured by term deposits placed at financial institutions held by the Group. Assets pledged to secure the borrowings are disclosed in note 12(b). The remaining bank loans are unsecured and obtained from several authorised institutions.

25 Financial assets sold under repurchase agreements

	2019 $'000	*2018* $'000
Listed debt securities	570,186	1,299,589

As at 31 December 2019, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income with carrying amount of approximately HK$633,357,000 (2018: $1,419,596,000), which is subject to the simultaneous agreements to repurchase these investments at the agreed price and date. All of the repurchase agreements have maturities within 3 months (2018: 3 months).

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

26 Medium-term notes and fixed rate notes payable

	2019 $'000	*2018* $'000
Medium-term notes payable	15,955,046	14,832,533
Fixed rate notes payable	-	1,173,793
	15,955,046	16,006,326

On 13 March 2017, the Group issued medium-term notes with a principal amount of US$650,000,000. The medium-term notes are interest bearing and are repayable on 13 March 2020.

On 28 June 2018, the Group issued floating rate medium-term notes with a principal amount of US$700,000,000. The medium-term notes are interest bearing and are repayable on 28 June 2021.

On 30 May 2019, the Group issued medium-term notes with a principal amount of US$700,000,000. The medium-term notes are interest bearing and are repayable on 30 May 2022.

The Group has hedged the interest rate risk by entering a plain vanilla interest rate swap under which the Group is receiving floating rate and paying fixed rate.

27 Investments in subsidiaries

Particulars of the principal subsidiaries are as follows:

			Proportion of ownership interest			
Name	*Place of incorporation and business*	*Particulars of issued capital*	*Group's effective interest*	*Interest held directly*	*Interest held indirectly*	*Principal activities*
ICBC International Capital Limited	Hong Kong	380,000,000 shares of HK$1 each	100%	100%	-	Advising on corporate finance
ICBC International Securities Limited	Hong Kong	6,800,000,000 shares of HK$1 each	100%	100%	-	Securities brokering, margin financing and underwriting
ICBC International Services Limited	Hong Kong	10,000 shares of HK$1 each	100%	100%	-	Provision of management and administrative services
ICBC International Futures Limited	Hong Kong	170,000,000 shares of HK$1 each	100%	100%	-	Dealing in futures and options contracts on behalf of clients
ICBC International Research Limited	Hong Kong	6,000,000 shares of HK$1 each	100%	100%	-	Provision of research services
ICBC International Finance Limited	Hong Kong	5,000,000 shares of HK$1 each	100%	100%	-	Advisory on corporate finance
ICBC International Strategic Investment Limited	Hong Kong	1 share of HK$1	100%	100%	-	Investment holding
ICBC International Fund Management Limited	Hong Kong	426,000,000 shares of HK$1 each	100%	100%	-	Asset management
ICBC International Asset Management Limited	Hong Kong	10,000,000 shares of HK$1 each	100%	100%	-	Asset management
ICBC (Shanghai) Investment Consultant Limited	PRC	US$500,000	100%	100%	-	Investment consultant services
珠海思陸投資諮詢合夥企業	PRC	RMB815,050,000	100%	-	100%	Investment holding
珠海思晴管理諮詢合夥企業 (有限合夥)	PRC	RMB628,338,911	100%	-	100%	Investment holding
工盈 (天津) 股權投資管理有限公司	PRC	RMB10,000,000	100%	-	100%	Asset Management
Horsepower Finance Limited	British Virgin Islands	1 share of US$1	100%	-	100%	Fund raising
Victory Ride Holdings Limited	British Virgin Islands	1 share of US$1	100%	-	100%	Investment holding

27 Investments in subsidiaries (continued)

			Proportion of ownership interest			
Name	*Place of incorporation and business*	*Particulars of issued capital*	*Group's effective interest*	*Interest held directly*	*Interest held indirectly*	*Principal activities*
Fine Process Limited	British Virgin Islands	1 share of US$1	*100%*	-	*100%*	Investment holding
銀通投資諮詢有限公司	PRC	RMB5,000,000	100%	100%	-	Investment consultant services
工銀國際投資有限公司	PRC	RMB100,000,000	100%	-	100%	Investment holding
工銀 (廣東) 投資管理有限公司	PRC	RMB10,000,000	100%	-	*100%*	Investment holding
ICBC International Investment Management Limited	British Virgin Islands	1 share of US$1	100%	100%	-	Investment holding
工銀家族財富 (上海) 投資管理有限公司	PRC	RMB10,000,000	100%	-	100%	Investment consultant services
工銀科技有限公司	PRC	RMB600,000,000	100%	-	100%	Technology business
深圳市前海海源投資諮詢有限公司	PRC	RMB248,628,167	100%	-	100%	Investment consultant services
深圳市前海海鋒投資諮詢有限公司	PRC	Nil	100%	-	100%	Investment consultant services
深圳市前海盈瑞投資諮詢合夥企業 (有限合夥)	PRC	RMB867,100,000	100%	-	100%	Investment consultant services

The above table lists the major subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

28 Other payables and accruals

	2019 $'000	*2018* $'000
Interest payable	214,586	167,744
Accrued expenses	632,099	644,261
Deferred fee income	105,058	135,161
Other loan payable	-	227,955
Other payables	704,080	373,327
Loss allowance for off-balance sheet items	1,465	5,724
	1,657,288	1,554,172

Movement in deferred fee income:

	2019 $'000	*2018* $'000
Balance at 1 January	135,161	136,804
Decrease in deferred fee income as a result of recognising revenue during the year that was included in the deferred fee income at the beginning of the period	(288,961)	(79,996)
Increase in deferred fee income as a result of billing in advance	258,858	78,353
Balance at 31 December	105,058	135,161

All the other payables and accruals are unsecured and interest-free, see note 35(c) as the maturity profile.

29 Share capital

	2019 *No. of shares* '000	$'000	*2018* *No. of shares* '000	$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	4,839,303	4,881,851	4,839,303	4,881,851

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

30 Reserves

(a) Group

	2019 $'000	*2018* $'000
Exchange and other reserves	(21,205)	161
FVOCI investment revaluation reserve (recycling)	(119,698)	(654,157)
FVOCI investment revaluation reserve (non-recycling)	(11,284)	-
Hedging reserve	(92,334)	(31,343)
	(244,521)	(685,339)

The amount of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 12 and 13.

(b) Company

	Retained profits/ (accumulated losses) $'000	*Hedging reserve* $'000	*Total* $'000
At 31 December 2018	(2,465)	(31,343)	(33,808)
Total comprehensive income for the year	464,131	(60,991)	403,140
At 31 December 2019	461,666	(92,334)	369,332
At 31 December 2017	(272,654)	-	(272,654)
Impact on initial application of HKFRS 9 on 1 January 2018	(9,137)	-	(9,137)
Total comprehensive income for the year	279,326	(31,343)	247,983
At 31 December 2018	(2,465)	(31,343)	(33,808)

30 Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange and other reserves

The exchange and other reserves mainly comprise the foreign exchange differences arising from the translation of the financial statements of foreign operations, joint ventures and associates and the share of reserves of joint ventures and associates.

(ii) FVOCI investment revaluation reserve (recycling)

The FVOCI investment revaluation reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.4(f)).

(iii) FVOCI investment revaluation reserve (non-recycling)

The FVOCI investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.4(f)).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2.4(h).

31 Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	*Nature and purpose*	*Interest held by the Group*
Investment funds	To manage assets on behalf of third-party investors and generate fees for the investment manager To invest on behalf of third-party investors These vehicles are financed through the issue of units to investors	Investments in units issued by the funds Management fees

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

31 Involvement with unconsolidated structured entities (continued)

Carrying amount

	2019 $'000	*2018* $'000
Financial assets at fair value through profit or loss	3,423,596	1,986,915
Management fee receivables	42,838	20,342
	3,466,434	2,007,257

During the years presented, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

32 Commitments

(a) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties $'000
Within one year	108,678
After one year but within five years	54,159
	162,837

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. With effective from 1 January 2019, the Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.4(d), and the details regarding the Group's future lease payments are disclosed in note 20.

(b) Investment commitments

At the end of the reporting period, committed facilities under investment agreements entered into with counterparties are as follows:

	2019 $'000	*2018* $'000
Within one year	2,215,183	3,371,444

33 Material related party transactions

Remuneration for key management personnel of the Group including amounts paid/payable to the Company's directors have been disclosed in note 6.

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	2019 $'000	2018 $'000
Corporate finance advisory fee from		
- the ultimate holding company	-	383
- a related party	1,717	1,725
- an associate	1,393	-
Underwriting and placing commission from		
- branches of the ultimate holding company	2,432	1,803
- fellow subsidiaries	2,747	4,467
Asset management fee from a fellow subsidiary	2,246	701
Service income from		
- fellow subsidiaries	86,471	-
Interest income from		
- the ultimate holding company	22,629	11,231
- branches of the ultimate holding company	32,724	3,867
- fellow subsidiaries	7,426	3,831
- a related party	51,918	49,949
- an associate	11,706	-
Realised and unrealised gain/(loss)arising from currency contracts with a fellow subsidiary as counterparty	9,245	(33,591)
Project sharing expenses to a branch of the ultimate holding company	(2,279)	(2,376)
Interest expense to		
- the ultimate holding company	(1,675)	(282)
- branches of the ultimate holding company	(354,539)	(329,621)
- fellow subsidiaries	(66,886)	(20,016)
- branches of the ultimate holding company in respect of medium-term notes payable	(36,186)	(37,619)
Realised and unrealised gain/(loss) on total return swap entered with a fellow subsidiary	272,947	(12,451)

33 Material related party transactions (continued)

	2019 $'000	*2018* $'000
Bank deposits placed with		
- the ultimate holding company	168,952	521,040
- branches of the ultimate holding company	28,471	1,384
- fellow subsidiaries	1,308,449	1,653,986
Loans receivable from a related company	1,021,349	999,215
Interest receivables from a fellow subsidiary	94	320
Other receivables from a branch of the ultimate holding company	3,375	14,228
Shareholder's loan to an associate	-	1,080,742
Other payables to		
- the ultimate holding company	-	(2,546)
- branches of the ultimate holding company	(98,451)	(41,329)
- joint ventures	(4,001)	(235,963)
Bank loans from		
- the ultimate holding company	(1,118,383)	(1,374,721)
- branches of the ultimate holding company	(12,363,639)	(9,718,939)
Financial assets sold under repurchase agreements from a fellow subsidiary	-	(1,299,589)
Total return swap entered with a fellow subsidiary	-	(12,451)
Currency contracts with a fellow subsidiary	144	6,584
Interest rate swap entered with a fellow subsidiary	(92,472)	(31,370)
Deferred fee income from a related party	(3,666)	(3,596)

34 Fair value hierarchy

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has engaged an external valuation specialist to perform valuation on Level 3 financial instruments. Details of the valuation techniques and descriptions of the financial instruments are disclosed in notes 14 and 16.

The Group held the following financial instruments measured at fair value:

34 Fair value hierarchy (continued)

At 31 December 2019

	Fair value at 31 December 2019	*Fair value measurements categorised into*		
		Level 1	*Level 2*	*Level 3*
	$'000	$'000	$'000	$'000
Recurring fair value measurements				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Listed debt securities	3,279,278	-	3,279,278	-
- Unlisted debt securities	1,915,439	-	-	1,915,439
- Listed equity securities	394,010	394,010	-	-
- Listed equity securities with optionality	3,372,274	-	3,372,274	-
- Unlisted equity securities	840,489	-	-	840,489
- Unlisted fund investments	3,423,596	-	-	3,423,596
- Unlisted convertible financial instruments	3,513,408	-	-	3,513,408
Investments in joint ventures, designated at FVPL				
- Unlisted equity securities	5,085,203	-	-	5,085,203
Financial assets at FVOCI				
- Listed debt securities	10,183,268	-	10,183,268	-
- Listed equity securities	30,116	30,116	-	-
Derivative financial assets				
- Currency contracts	1,147	-	1,147	-
- Futures contracts	482	-	482	-
	32,038,710	424,126	16,836,449	14,778,135
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Listed bonds sold short	(22,955)	-	(22,955)	-
- Loan borrowing	(504,408)	-	-	(504,408)
Derivative financial liabilities				
- Currency contracts	(1,004)	-	(1,004)	-
- Futures contracts	(732)	-	(732)	-
- Interest rate swap	(92,472)	-	(92,472)	-
	(621,571)	-	(117,163)	(504,408)

34 Fair value hierarchy (continued)

At 31 December 2018

	Fair value at 31 December 2018 $'000	*Fair value measurements categorised into* *Level 1* $'000	*Level 2* $'000	*Level 3* $'000
Recurring fair value measurements				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Listed debt securities	1,481,362	-	1,481,362	-
- Unlisted debt securities	1,575,123	-	-	1,575,123
- Listed equity securities	129,996	129,996	-	-
- Listed equity securities with optionality	5,399,391	-	5,399,391	-
- Unlisted equity securities	1,453,754	-	-	1,453,754
- Unlisted fund investments	1,986,915	-	-	1,986,915
- Unlisted convertible financial instruments	2,438,562	-	-	2,438,562
Investments in joint ventures, designated at FVPL				
- Unlisted equity securities	5,308,068	-	-	5,308,068
Investments in associates, designated at FVPL				
- Unlisted equity securities	452,696	-	-	452,696
Financial assets at FVOCI				
- Listed debt securities	9,083,680	-	9,083,680	-
Derivative financial assets				
- Unlisted option of equity securities	1	-	-	1
- Currency contracts	6,757	-	6,757	-
- Futures contracts	401	-	401	-
	29,316,706	129,996	15,971,591	13,215,119
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Obligation relating to transfer of income right	(136,451)	-		(136,451)
- Listed bonds sold short	(14,163)	-	(14,163)	-
- Loan borrowing	(511,299)	-	-	(511,299)
Derivative financial liabilities				
- Obligation relating to transfer of income right	(1)	-	-	(1)
- Currency contracts	(172)	-	(172)	-
- Futures contracts	(8,338)	-	(8,338)	-
- Total return swap	(12,451)	-	(12,451)	-
- Interest rate swap	(31,370)	-	(31,370)	-
	(714,245)	-	(66,494)	(647,751)

34 Fair value hierarchy (continued)

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

Key unobservable inputs to Level 3 financial instruments

The Group's private equity investments are generally not traded in active markets. In the absence of an active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership. The key unobservable inputs used in the valuation are discussed in notes 14 and 16 respectively.

The movements in fair value measurements in Level 3 during the year are as follows:

34 Fair value hierarchy (continued)

Financial assets

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
At 1 January 2018	70	902,649	1,784,607	1,786,653	480,000
Purchases	-	6,930,821	391,480	215,049	1,099,634
Disposals	-	(1,083,948)	-	(78,159)	-
Net unrealised gains/(losses) recognised in profit or loss	(23)	544,979	262,239	102,536	20,975
Exchange adjustments	(46)	(79,983)	236	(39,164)	(25,486)
At 31 December 2018 and 1 January 2019	1	7,214,518	2,438,562	1,986,915	1,575,123
Purchases	-	20,896	1,168,133	1,221,750	301,905
Disposals	(1)	(984,760)	(676,000)	(106,801)	-
Net unrealised gains/(losses) recognised in profit or loss	-	(272,959)	584,674	323,846	54,306
Exchange adjustments	-	(52,003)	(1,961)	(2,114)	(15,895)
At 31 December 2019	-	5,925,692	3,513,408	3,423,596	1,915,439

34 Fair value hierarchy (continued)

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
Total gains or losses in 2018 included in the statement of profit or loss and other comprehensive income for assets held at the end of the reporting period recorded in:					
Fair value gains/(losses), net					
- Financial assets at fair value through profit or loss	-	544,979	262,239	102,536	20,975
- Derivative financial instruments	(23)	-	-	-	-
Exchange (loss)/gain, net	(46)	(79,983)	236	(39,164)	(25,486)

	Derivative financial assets $'000	*Unlisted equity securities* $'000	*Unlisted convertible financial instruments* $'000	*Unlisted fund instruments* $'000	*Unlisted debt securities* $'000
Total gains or losses in 2019 included in the statement of profit or loss and other comprehensive income for assets held at the end of the reporting period recorded in:					
Fair value gains/(losses), net					
- Financial assets at fair value through profit or loss	-	(272,959)	584,674	323,846	54,306
Exchange (loss)/gain, net	-	(52,003)	(1,961)	(2,114)	(15,895)

34 Fair value hierarchy (continued)

Financial liabilities

	Obligation relating to transfer of income right $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
At 1 January 2018	(148,735)	(70)	(504,000)
Net unrealised gains/(losses) recognised in profit or loss	4,638	23	(32,208)
Exchange adjustments	7,646	46	24,909
At 31 December 2018 and 1 January 2019	(136,451)	(1)	(511,299)
Derecognition	133,378	1	-
Net unrealised losses recognised in profit or loss	-	-	(1,853)
Exchange adjustments	3,073	-	8,744
At 31 December 2019	-	-	(504,408)

	Obligation relating to transfer of income right $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
Total gains or losses in 2018 included in the statement of profit or loss and other comprehensive income for liabilities held at the end of the reporting period recorded in:			
Fair value gains/(losses), net			
- Financial liabilities at fair value through profit or loss	4,638	-	(32,208)
- Derivative financial instruments	-	23	-
Exchange gain, net	7,646	46	24,909

34 Fair value hierarchy (continued)

	Obligation relating to transfer of income right classified as financial liabilities at fair value through profit or loss $'000	*Obligation relating to transfer of income right classified as derivative financial liabilities* $'000	*Loan borrowing classified as financial liabilities at FVPL* $'000
Total gains or losses in 2019 included in the statement of profit or loss and other comprehensive income for liabilities held at the end of the reporting period recorded in:			
Fair value gains/(losses), net			
- Financial liabilities at fair value through profit or loss	-	-	(1,853)
Exchange gain, net	3,073	-	8,744

Net unrealised gains/(losses) and exchange gains/(losses) recognised in profit or loss are recognised in the line item "other net income" on the face of the consolidated statement of profit or loss and other comprehensive income.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximate their fair values as at 31 December 2019 and 2018.

35 Financial risk management objectives and policies

Exposure to interest rate, currency, equity price, credit and liquidity risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Market risk*

Market risk arises from changes in market rates including interest rates, foreign exchange rates, equity prices as well as their correlation and volatility levels.

(i) Interest rate risk

Interest rate risk is the risk that the Group's position may be adversely affected by changes in market interest rates. The Group manages its interest rate exposure by matching the interest rate profile of its assets and liabilities where the exposure is significant.

The Group's major interest-bearing financial instruments included bank deposits, loans receivable, unlisted debt securities, bank loans and medium-term notes payable. Interest income derived from bank deposits are principally based on deposits rates offered by banks in Hong Kong and the prime interest rate in the Hong Kong banking market respectively. The Group's listed bonds and loans receivable with fixed rates of interest terms are not subject to significant interest rate risk. Interest income generated from the Group's loans receivable with floating rate of interest terms is determined with reference to the Hong Kong Inter-Bank Offered Rates and London Inter-Bank Offered Rates. The fair values of the Group's unlisted options and warrants are also affected by fluctuation in interest rates.

Hedges of interest rate risk

Interest rate swap, denominated in United States dollars, has been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swap which has been designated as cash flow hedge of the interest rate risk inherent in the Group's variable rate medium-term notes payable at the end of the reporting period:

	2019 $'000	*2018* $'000
Notional amount	5,451,289	5,482,027
Carrying amount (note)		
- Liability	(92,472)	(31,370)

Note: Interest rate swap liabilities are included in the "Derivative financial liabilities" (note 16) line item in the consolidated statement of financial position.

35 Financial risk management objectives and policies (continued)

The swap matures over the next 1.4 years (2018: 3 years) matching the maturity of the related notes payable (see note 26) and have fixed swap rate of 4.052% p.a. (2018: 4.052%).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swap and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the notes payable. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationship:

	2019 $'000	*2018* $'000
Balance at 1 January	(31,343)	-
Effective portion of the cash flow hedge recognised in other comprehensive income	(84,159)	(45,826)
Amounts reclassified to profit or loss (note (i))	23,168	14,483
Balance at 31 December (note (ii))	(92,334)	(31,343)
Change in fair value of the interest rate swap during the year	(84,159)	(45,826)
Effective portion of the cash flow hedge recognised in other comprehensive income	(84,159)	(45,826)

Notes:

(i) Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 8).

(ii) The entire balance in the hedging reserve relates to continuing hedge.

35 Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity of a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity.

	Change in interest rates (basis points)	*Effect on profit before tax* $'000	*Effect on equity* $'000
At 31 December 2019			
Interest bearing bank deposits	+/-25	+/-11,196	+/-9,349
Loans receivable subject to floating rate of interest	+/-25	+/-25,750	+/-21,502
Accounts receivable	+/-25	+/-9,073	+/-7,576
Bank loans	+/-25	+/-90,316	+/-75,414
Financial assets sold under repurchase agreements	+/-25	+/-1,425	+/-1,190
At 31 December 2018			
Interest bearing bank deposits	+/-25	+/-10,693	+/-8,928
Loans receivable subject to floating rate of interest	+/-25	+/-29,410	+/-24,557
Unlisted convertible financial instruments	+/-25	+/-117	+/-98
Accounts receivable	+/-25	+/-9,679	+/-8,082
Bank loans	+/-25	-/+89,612	-/+74,826
Financial assets sold under repurchase agreements	+/-25	-/+3,249	-/+2,713
Derivative financial liabilities	+/-25	-/+5,818	-/+4,858

The sensitivity analysis above indicates the annualised impact on the Group's interest income and expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis for 2018.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages its foreign currency exposure by matching the currencies of its financial assets and liabilities.

35 Financial risk management objectives and policies (continued)

The major transactions of the Group are entered in Hong Kong dollars, United States dollars, Renminbi and Australian dollars. As Hong Kong dollar is pegged to the United States dollar, the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant.

The following table demonstrates the sensitivity at the end of a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax and equity.

	Renminbi $'000	*Australian dollar* $'000	*Euro* $'000
At 31 December 2019			
Cash and cash equivalents	2,420,817	1,033	10,454
Loans receivable	2,046,988	-	-
Accounts receivable	31,316	-	-
Other assets	224	-	-
Listed equity securities	30,116		
Unlisted equity securities	1,740,520	383,489	-
Unlisted debt securities	677,740	-	-
Unlisted fund investments	851,639	-	-
Derivative financial assets	43	-	-
Prepayments, deposits and other receivables	157,450	-	-
Other payables and accruals	(20,123)	-	-
Bank loans	(6,724,837)	-	-
Financial liabilities at fair value at profit or loss	(504,408)	-	-
Derivative financial liabilities	(732)	-	-
	706,753	384,522	10,454
Percentage change in foreign exchange rate	+/-1%	+/-1%	+/-1%
Effect on profit before tax	+/-6,766	+/-3,845	+/-104
Effect on equity	+/-5,579	+/-3,210	+/-87
At 31 December 2018			
Cash and cash equivalents	1,902,637	483	17,554
Loans receivable	593,593	-	-
Accounts receivable	23,318	-	-
Other assets	228	-	-
Unlisted equity securities	2,227,488	380,927	-
Unlisted debt securities	455,911	-	-
Unlisted fund investments	351,342	-	-
Derivative financial assets	6,965	-	-
Prepayments, deposits and other receivables	579,188	2,268	1,766
Other payables and accruals	(513,885)	(492)	(1,213)
Bank loans	(4,331,153)	-	-
	1,295,632	383,186	18,107
Percentage change in foreign exchange rate	+/-1%	+/-1%	+/-1%
Effect on profit before tax	+/-109,855	+/-3,842	+/-205
Effect on equity	+/-91,729	+/-3,208	+/-171

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

35 Financial risk management objectives and policies (continued)

(iii) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. To manage the equity price risk, the performance of the investee company is regularly reviewed.

The Group's exposure to equity price risk relates principally to its investments in listed and unlisted equity securities, unlisted fund instruments and unlisted convertible financial instruments which are classified as financial assets at fair value through profit or loss.

The following table demonstrates the sensitivity of the Group's profit before tax and equity to every 10% change in the fair values of the above investments, where material:

	Change in equity price	*Effect on profit before tax* $'000	*Effect on equity* $'000
At 31 December 2019			
Listed equity securities	+/-10%	+/-376,628	+/-316,999
Unlisted equity securities	+/-10%	+/-596,569	+/-486,333
Unlisted fund instruments	+/-10%	+/-342,360	+/-272,753
Unlisted convertible financial instruments	+/-10%	+/-351,341	+/-293,370
At 31 December 2018			
Listed equity securities	+/-10%	+/-13,000	+/-10,855
Unlisted equity securities	+/-10%	+/-1,278,777	+/-1,067,779
Unlisted fund instruments	+/-10%	+/-198,691	+/-165,907
Unlisted convertible financial instruments	+/-10%	+/-397,676	+/-332,059

The sensitivity analysis above indicates the instantaneous change on the Group's profit before tax and equity that would arise assuming that the change in fair values had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

35 Financial risk management objectives and policies (continued)

(b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The credit risk of the Group's financial assets, including bank balances, accounts receivable, accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts, loans receivable and debt securities classified as FVOCI, has a maximum exposure that equals to the carrying amounts of these instruments.

For the bank balances, the Group is not exposed to significant credit risk because they are mainly placed with the immediate holding company, fellow subsidiaries of the Group and recognised banks in Hong Kong.

Accounts receivable in respect of fees from clients are closely monitored by management. Project managers are delegated with the responsibility of monitoring collectability and reporting to management. For the accounts receivable in respect of receivable from brokers, the Group is not exposed to significant risk because they are recognised and creditworthy financial institutions. There was no significant concentration risk of accounts receivable to a single party as at the end of the reporting period. Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable in respect of fees from clients are disclosed in note 18 to the financial statements.

In respect of the credit risk of the Group's accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts, the Group's credit policy specifies the credit approval, review and monitoring processes. All new clients of the Group are subject to account opening procedures which include financial background checks for credit verification purpose. Credit limit applications are guided by a set of credit principles and these applications are subject to regular independent review. Credit exposures are monitored against trading and credit limits and other control limits. The Group also adopts a multi-level process requiring credit approval at successively higher levels or committees depending on, among other things, the size and nature of the proposed transactions. The fair value of the collaterals at its prevailing market prices and their adequacy is periodically reviewed and monitored to cover the accounts receivable due from the clients. If there is evidence of impairment in the accounts receivable, the Risk Management Department will estimate recoverability of the accounts on an individual basis and determine an appropriate level of impairment allowance on these accounts.

The following table provides information about the Group's exposure to credit risk and ECLs for gross accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts as at 31 December 2019:

35 Financial risk management objectives and policies (continued)

	2019 $'000	*2018* $'000
Gross carrying amount	4,288,653	4,699,508
Expected credit losses	11,399	7,374
Expected loss rate	0.26%	0.16%

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Collaterals are obtained from margin financing clients, and comprise listed equities pledged against the margin financing receivables. The fair value of collaterals at its prevailing market price as at 31 December 2019 amounted to $19,104 million (2018: $19,009 million). To mitigate the risk of a fall in value of the collaterals, minimum margin requirement must be maintained by the margin client and any deficiencies covered by appropriate margin call. The collaterals will only be liquidated if clients fail to meet their margin obligations. No collateral was repledged during the year. The Group considers the accounts receivable as doubtful if the fair values of the collaterals at prevailing market prices is inadequate to cover the accounts receivable from the clients or there is illiquidity concern of the collaterals in the market. At the end of the year, 79% (2018: 64%) of the Group's accounts receivable were due from the Group's five largest customers.

35 Financial risk management objectives and policies (continued)

In respect of the credit risk of the Group's loans receivable and debt securities classified as FVOCI and FVPL, project managers are delegated with the responsibility of monitoring collectability and reporting to management. The Group periodically reviews the fair value of the collaterals at their prevailing market prices and monitors their adequacy to cover the loans receivable and monitors the performance of counterparties for assessing the default risk of the debt securities. Further quantitative data in respect of the Group's exposure to credit risk arising from FVPL investments, FVOCI investments and loans receivable are disclosed in notes 14, 15 and 19 to the financial statements respectively.

The following table presents an analysis of debt securities classified FVOCI and FVPL by rating agency designation at the end of the reporting period, based on Standard and Poor's ratings or their equivalent to the respective issuers of the investments:

	2019 $'000	*2018* $'000
Listed		
A- to A+	929,533	618,986
Lower than A-	12,533,013	9,946,056
Unlisted		
Unrated	5,428,847	4,013,685
	18,891,393	14,578,727

35 Financial risk management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they are due. The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding from the immediate holding company and other fellow subsidiaries.

The maturity profile of the Group's financial assets and financial liabilities (including those based on the contractual undiscounted payments) as at 31 December was as follows:

	Carrying amount					
	On demand $'000	*Less than 3 months* $'000	*3 to 12 months* $'000	*Over 1 year* $'000	*Undated* $'000	*Total* $'000
At 31 December 2019						
Assets						
Cash and cash equivalents	4,478,502	28,076	-	-	-	4,506,578
Term deposits	-	750,000	3,309,677	2,840,900	-	6,900,577
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	4,277,254	-	-	-	4,277,254
Financial assets at FVPL	394,010	2,713,982	1,487,941	4,530,691	7,611,871	16,738,495
Financial assets at FVOCI	-	68,587	1,211,904	8,902,777	30,116	10,213,384
Derivative financial assets	-	-	1,629	-	-	1,629
Prepayments, deposits and other receivables	-	372,499	456,641	552,707	11,466	1,393,313
Accounts receivable	-	5,789	73,257	664	-	79,710
Loans receivable	-	2,112,129	4,140,004	9,332,577	-	15,584,710
Investments in joint ventures designated at FVPL	-	-	-	-	5,085,203	5,085,203
Other assets	-	-	-	-	5,902	5,902
	4,872,512	10,328,316	10,681,053	26,160,316	12,744,558	64,786,755

35 Financial risk management objectives and policies (continued)

	Contractual undiscounted cash flow						Carrying amount as at 31 December
	On demand	*Less than 3 months*	*3 to 12 months*	*Over 1 year*	*Undated*	*Total*	
Liabilities							
Bank loans	-	(15,782,394)	(9,599,963)	(10,743,926)	-	(36,126,283)	(36,126,283)
Financial assets sold under repurchase agreements	-	(570,186)	-	-	-	(570,186)	(570,186)
Medium-term notes	-	(5,058,629)	-	(10,896,417)	-	(15,955,046)	(15,955,046)
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	(565,390)	-	-	-	(565,390)	(565,390)
Financial liabilities at FVPL	-	(22,954)	(504,409)	-	-	(527,363)	(527,363)
Derivative financial liabilities	-	-	(1,735)	(92,473)	-	(94,208)	(94,208)
Other payables and accruals	-	(697,905)	(952,853)	(6,530)	-	(1,657,288)	(1,657,288)
Tax payable	-	-	(316,700)	-	-	(316,700)	(316,700)
Lease liabilities (note)	-	(33,983)	(46,066)	(44,905)	-	(124,954)	(117,597)
	-	(22,731,441)	(11,421,726)	(21,784,251)	-	(55,937,418)	(55,930,061)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2.3.

35 Financial risk management objectives and policies (continued)

	Carrying amount					
	On demand $'000	*Less than 3 months* $'000	*3 to 12 months* $'000	*Over 1 year* $'000	*Undated* $'000	*Total* $'000
At 31 December 2018						
Assets						
Cash and cash equivalents	4,277,185	889,678	-	-	-	5,166,863
Term deposits	-	-	2,192,805	1,431,592	-	3,624,397
Accounts receivable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	4,692,134	-	-	-	4,692,134
Financial assets at FVPL	-	763,018	46,989	4,385,680	9,269,416	14,465,103
Financial assets at FVOCI	-	78,667	787,880	8,217,133	-	9,083,680
Derivative financial assets	-	194	6,965	-	-	7,159
Prepayments, deposits and other receivables	7,570	431,876	924,748	204,695	440,408	2,009,297
Accounts receivable	-	43,729	53,895	9,368	-	106,992
Loans receivable	-	664,516	2,067,564	14,605,380	-	17,337,460
Investments in joint ventures	-	-	-	-	5,308,068	5,308,068
Investments in associates	-	-	-	-	452,696	452,696
Other assets	-	-	-	-	5,356	5,356
	4,284,755	7,563,812	6,080,846	28,853,848	15,475,944	62,259,205

	Contractual undiscounted cash flow						*Carrying amount as at 31 December*
	On demand	*Less than 3 months*	*3 to 12 months*	*Over 1 year*	*Undated*	*Total*	
Liabilities							
Bank loans	-	(18,524,055)	(2,161,137)	(15,159,539)	-	(35,844,731)	(35,844,731)
Financial assets sold under repurchase agreements	-	(1,300,849)	-	-	-	(1,300,849)	(1,299,589)
Medium-term notes and fixed rate notes payable	-	-	(5,482,027)	(10,572,480)	-	(16,054,507)	(16,006,326)
Accounts payable arising from the ordinary course of business of dealing in securities, futures and options contracts	-	(41,196)	-	-	-	(41,196)	(41,196)
Financial liabilities at FVPL	-	(14,163)	-	(647,750)	-	(661,913)	(661,913)
Derivative financial liabilities	-	(9,313)	(16,259)	(28,264)	-	(53,836)	(52,332)
Other payables and accruals	-	(801,019)	(867,656)	(2,416,883)	-	(4,085,558)	(1,554,172)
Tax payable	-	-	(176,674)	-	-	(176,674)	(176,674)
	-	(20,690,595)	(8,703,753)	(28,824,916)	-	(58,219,264)	(55,636,933)

36 Capital management

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholder value. In addition, several subsidiaries of the Group licensed by the Securities and Futures Commission ("SFC") are obliged to meet regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times. In order to maintain or adjust its capital structure, the Group may adjust the dividends paid to shareholders or issue new shares. The Group monitors capital on the basis of total equity as shown in the consolidated statement of financial position. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term. There is no change in the capital management objective, policies or strategy during the year.

For the licensed subsidiaries, the Group ensures each of them maintains liquid capital level adequate to support the activity level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries as required.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, derivative financial liabilities, accounts payable and other payables and accruals, less cash and cash equivalents. Capital includes issued capital and reserves, other than amounts recognised in equity relating to cash flow hedges.

The gearing ratios as at the end of the year were as follows:

	2019 $'000	*2018* $'000
Bank loans	36,126,283	35,844,731
Financial assets sold under repurchase agreements	570,186	1,299,589
Medium-term notes and fixed rate notes payable	15,955,046	16,006,326
Accounts payable	565,390	41,196
Financial liabilities at fair value through profit or loss	527,363	661,913
Derivative financial liabilities	94,208	52,332
Other payables and accruals	1,657,288	1,554,172
Less: Cash and cash equivalents	(4,506,578)	(5,166,863)
Net debt	50,989,186	50,293,396
Total equity	10,702,170	8,718,328
Add: Cash flow hedge reserves	92,334	31,343
Adjusted capital	10,794,504	8,749,671
Capital and net debt	61,783,690	59,043,067
Gearing ratio	83%	85%

37 Company-level statement of financial position as at 31 December 2019

	2019 $'000	*2018* $'000
ASSETS		
Cash and cash equivalents	1,396,381	2,696,365
Term deposits	6,900,611	3,624,397
Amounts due from subsidiaries	39,026,659	42,813,719
Prepayments, deposits and other receivables	171,776	612,658
Investments in subsidiaries	7,465,524	7,465,524
Accounts receivable	-	7,898
Derivative financial assets	1,104	193
Property, plant and equipment	154	154
Other assets	95	95
Deferred tax assets	950	-
TOTAL ASSETS	54,963,254	57,221,003
LIABILITIES		
Bank loans	29,401,446	31,513,579
Medium-term notes and fixed rate notes payable	15,955,046	16,006,326
Amounts due to subsidiaries	3,518,092	4,099,085
Other payables and accruals	621,735	657,773
Derivative financial liabilities	93,476	31,542
Deferred tax liabilities	-	21
Tax payable	122,277	64,634
TOTAL LIABILITIES	49,712,072	52,372,960
EQUITY		
Share capital	4,881,851	4,881,851
Retained profits/(accumulated losses)	461,665	(2,465)
Reserves	(92,334)	(31,343)
TOTAL EQUITY	5,251,182	4,848,043
TOTAL EQUITY AND LIABILITIES	54,963,254	57,221,003

Approved and authorised for issue by the board of directors on **26 MAR 2020**

An Liyan)
)
) Directors
Gao Dong)
)

38 Event after reporting period

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures.

As far as the Group's businesses are concerned, the outbreak has caused operation delays. Based on the information currently available, the management has not estimated the financial impact to the Group and has not adjusted the financial information as of 31 December 2019. The actual impact is subject to evolving situation and further information.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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PRICING SUPPLEMENT

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: (1) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 60/2014 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels."

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

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

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

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

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

Pricing Supplement dated 19 July 2021

HORSE GALLOP FINANCE LIMITED

Issue of US$600,000,000 1.10 per cent. Guaranteed Notes due 2024
under the US$4,000,000,000 Medium Term Note Programme

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated 15 July 2021 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

1.	Issuer:		Horse Gallop Finance Limited
2.	Issuer Legal Entity Identifier:		5493005LA8SD8BDUW128
3.	Guarantor:		ICBC International Holdings Limited
4.	(i)	Series Number:	0004
	(ii)	Tranche Number:	01
	(iii) Date on which the Notes become fungible:		Not Applicable
5.	Specified Currency or Currencies:		USD
6.	Aggregate Nominal Amount:		
	(i)	Series:	US$600,000,000
	(ii)	Tranche:	US$600,000,000
7.	Issue Price:		99.959 per cent. of the Aggregate Nominal Amount
8.	(i)	Specified Denominations:	US$200,000 and integral multiples of US$1,000 in excess thereof
	(ii)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	US$1,000
9.	(i)	Issue Date:	26 July 2021
	(ii)	Interest Commencement Date:	Issue Date
10.	Maturity Date:		26 July 2024
11.	Interest Basis:		1.10 per cent. Fixed Rate
12.	Redemption/Payment Basis:		Redemption at par
13.	Change of Interest or Redemption/Payment Basis:		Not Applicable
14.	Put/Call Options:		CoC Put Option

15.	Listing:		Hong Kong Stock Exchange Expected effective listing date is 27 July 2021.
16.	(i)	Status of the Notes:	Senior
	(ii)	Status of the Guarantee:	Senior
	(iii)	Date of regulatory approval for issuance of Notes obtained:	Pre-Issuance NDRC Registration Certificate ("**Certificate**") obtained by Industrial and Commercial Bank of China Limited ("**ICBC**") from NDRC according to *the Circular on Promoting the Reform of the Administration on the Filing and Registration System for Foreign Debts Issued by Enterprises* and ICBC's approval dated 17 June 2021 authorizing the issuance of the Notes not exceeding US$800,000,000 and confirming such issuance of Notes is within the foreign debt quota under the Certificate

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	**Fixed Rate Note Provisions**		Applicable
	(i)	Rate of Interest:	1.10 per cent. per annum payable semi-annually in arrear on each Interest Payment Date
	(ii)	Interest Payment Dates:	26 January and 26 July in each year up to and including the Maturity Date
	(iii)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	US$5.50 per Calculation Amount
	(iv)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Not Applicable
	(v)	Day Count Fraction:	30/360
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
18.	**Floating Rate Note Provisions:**		Not Applicable
19.	**Zero Coupon Note Provisions:**		Not Applicable

20.	**Index-Linked Interest Note/other variable-linked interest Note Provisions:**	Not Applicable
21.	**Dual Currency Note Provisions:**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

22.	**Call Option:**	Not Applicable
23.	**Put Option:**	Not Applicable
24.	**CoC Put Option:**	Applicable
	(i) Early Redemption Amount (Change of Control):	101 per cent. of the principal amount
25.	**Final Redemption Amount of each Note:**	US$1,000 per Calculation Amount
26.	**Early Redemption Amount**	US$1,000 per Calculation Amount
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	**Form of Notes:**	**Registered Notes:** Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate
28.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
29.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No.
30.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable

31.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:		Not Applicable
32.	Redenomination, renominalisation and reconventioning provisions:		Not Applicable
33.	Consolidation provisions:		The provisions in Condition 19 (*Further Issues*) apply
34.	Any applicable currency disruption/fallback provisions:		Not Applicable
35.	Other terms or special conditions:		Not Applicable

DISTRIBUTION

36.	(i)	Method of distribution:	Syndicated
	(ii)	If syndicated, names of Managers:	ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of China Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Bank of East Asia, Limited, China Construction Bank (Asia) Corporation Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Industrial and Commercial Bank of China (Macau) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, ICBC Standard Bank Plc, Mizuho Securities Asia Limited, Industrial Bank Co., Ltd. Hong Kong Branch, ABCI Capital Limited, CCB International Capital Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Everbright Securities (HK) Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Malayan Banking Berhad, Nanyang Commercial Bank, Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Standard Chartered Bank
	(iii)	Stabilisation Manager(s) (if any):	Any of the Managers (except for China CITIC Bank International Limited) appointed and acting in the capacity as a Stabilisation Manager
37.	If non-syndicated, name and address of relevant Dealer:		Not Applicable
38.	US Selling Restrictions:		Reg. S Category 1

		TEFRA not applicable
39.	Additional selling restrictions:	Not Applicable
40.	Prohibition of Sales to EEA Retail Investors:	Not Applicable
41.	Prohibition of Sales to UK Retail Investors:	Not Applicable

OPERATIONAL INFORMATION

42.	ISIN Code:	XS2365265003
43.	Common Code:	236526500
44.	CMU Instrument Number	Not Applicable
45.	Any clearing system(s) other than Euroclear/Clearstream and the CMU and the relevant identification number(s):	Not Applicable
46.	Delivery:	Delivery against payment
47.	Additional Paying Agent(s) (if any):	Not Applicable

GENERAL

48.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [•], producing a sum of (for Notes not denominated in US dollars):	Not Applicable
49.	Ratings:	The Notes to be issued have been rated:
		Moody's: A2

STABILISATION

In connection with this issue, any one of the Managers (except for China CITIC Bank International Limited) appointed and acting in the capacity as a Stabilisation Manager (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the US$4,000,000,000 Medium Term Note Programme.

MATERIAL ADVERSE CHANGE STATEMENT

Except as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Guarantor since 31 December 2020 and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor since 31 December 2020.

RESPONSIBILITY

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

Signed on behalf of Horse Gallop Finance Limited:

By: ....
Duly authorised

Signed on behalf of ICBC International Holdings Limited:

By: ....

Duly authorised