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**香港投資者謹請注意：**發行人、擔保人(定義見下)及公司(定義見下)確認票據(定義見下)擬僅供專業投資者(定義見香港聯合交易所有限公司證券上市規則第37章)購買，並按該基準已於香港聯合交易所上市。因此，發行人、擔保人及公司確認債券不適合作為香港散戶之投資。投資者應審慎考慮所涉及的風險。

## **刊發發售通函及定價補充文件**

**於二零二五年到期的600,000,000美元利率為2.875厘票據(「票據」)**

**(股份代號：5068)**

**乃根據一百億美元擔保中期票據計劃(「該計劃」)**

**由**

**CICC Hong Kong Finance 2016 MTN Limited**

**(於英屬維爾京群島註冊成立之有限公司)**

**(作為「發行人」)**

**由**

**中國國際金融(香港)有限公司**

**(於香港註冊成立之有限公司)**

**(作為「擔保人」)**

無條件及不可撤回地提供擔保  
及受益於



**China International Capital Corporation Limited**

**中國國際金融股份有限公司**

(於中華人民共和國註冊成立的股份有限公司)

(股份代號：03908)

(作為「公司」)

**提供之維好協議**

本公告乃根據香港聯合交易所有限公司證券上市規則第37.39A條刊發。

茲提述發行人於二零二一年九月十七日刊發的有關計劃在香港聯合交易所有限公司上市的通知。

請參閱本公告隨附的日期為二零二一年九月十七日的該計劃相關發售通函(「**發售通函**」)及日期為二零二二年三月十四日的與票據發行相關的定價補充文件(「**定價補充文件**」)。發售通函及定價補充文件僅以英文刊發，並無刊發發售通函及定價補充文件中文版。

香港，二零二二年三月二十二日

於本公告日期，發行人董事為王瑾女士及劉健女士。

於本公告日期，擔保人董事為夏星漢先生、黃海洲先生、黃勁峯先生、楚鋼先生、馬葵女士、徐翌成先生及劉晴川先生。

於本公告日期，公司執行董事為黃朝暉先生；非執行董事為沈如軍先生、朱海林先生、譚麗霞女士及段文務先生；以及獨立非執行董事為劉力先生、蕭偉強先生、賁聖林先生及彼得•諾蘭先生。

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日期為二零二一年九月十七日的發售通函

# IMPORTANT NOTICE

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

**IMPORTANT: You must read the following disclaimer before continuing.** If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following disclaimer applies to the attached offering circular (the “**Offering Circular**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the company as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be non-U.S. persons outside the United States.

**Confirmation of Your Representation:** The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to CICC Hong Kong Finance 2016 MTN Limited (the “**Issuer**”), China International Capital Corporation (Hong Kong) Limited (the “**Guarantor**”), China International Capital Corporation Limited (“**CICC**” or the “**Company**”), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited and Standard Chartered Bank (the “**Joint Arrangers**”) and the Dealers (as defined in this Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) you are not a U.S. person, or acting to, the account or benefit of a U.S. person (in each case as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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

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

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

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the “**SFA**”) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**MIFID II product governance/target market** – The Pricing Supplement in respect of any Notes will 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.

**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) 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 Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); 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 for the Notes. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdictions.

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

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**U.S.\$10,000,000,000**  
**Guaranteed Medium Term Note Programme**  
**CICC Hong Kong Finance 2016 MTN Limited**

*(incorporated in the British Virgin Islands with limited liability)*

(as “**Issuer**”)

unconditionally and irrevocably guaranteed by

**China International Capital Corporation (Hong Kong) Limited**

**中國國際金融(香港)有限公司**

*(incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China International Capital Corporation Limited)*

(as “**Guarantor**”)

and

with the benefit of a Keepwell Deed provided by



**China International Capital Corporation Limited**

**中國國際金融股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 3908.HK)

Under the U.S.\$10,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the “**Programme**”), CICC Hong Kong Finance 2016 MTN Limited (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”) unconditionally and irrevocably guaranteed (the “**Guarantee**”) by China International Capital Corporation (Hong Kong) Limited (the “**Guarantor**”). The Issuer is a direct wholly-owned subsidiary of the Guarantor, and the Guarantor is a direct wholly-owned subsidiary of China International Capital Corporation Limited (the “**Company**” or “**CICC**”). The Issuer, the Guarantor and the Company entered into a keepwell deed on May 5, 2016 with Citicorp International Limited (the “**Trustee**”) as trustee of the Notes (the “**Keepwell Deed**”) as further described in “*Description of the Keepwell Deed*”. The Keepwell Deed does not constitute a direct or indirect guarantee by the Company of the obligations of the Issuer under the Notes or of the Guarantor under the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company.

**The Keepwell Deed does not constitute a direct or indirect guarantee of the Notes by the Company.** Pursuant to the terms of the Keepwell Deed, the Company has undertaken to cause the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts due and payable under or in respect of any of its indebtedness, and/or undertake certain specific actions rather than assume payment obligations as in the case of a guarantee. Even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company arranges for sufficient funds to meet the payment obligations of the Issuer under the Notes or the Guarantor under the Guarantee, such performance may be subject to obtaining prior consent or approvals from relevant governmental authorities and internal approvals from its board of directors and/or shareholders. Although the Company is required to use its commercially reasonable endeavours to obtain any required consents and approvals in order to fulfill its obligations under the Keepwell Deed, there is no assurance that such consents or approvals will be obtained in a timely manner or at all. There are also additional risks relating to whether the obligations of a keepwell provider under a keepwell deed will be recognised in bankruptcy procedures of the keepwell provider in the PRC as the relevant judicial practice appears to still be evolving. See “*Risk Factors – The Keepwell Deed is not a guarantee of the payment obligations under the Notes and the Guarantee and may not give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. The performance by the Company’s obligation thereunder may be subject to Regulatory Approvals*” on page 60 of this Offering Circular.

The Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.\$10,000,000,000 (or its equivalent in other currencies), subject to any duly authorised increase. The Notes may be issued on a continuing basis to one or more specified users (“**Summaries of the Programme**”) and any additional Dealer appointed under the Programme from time to time by the Issuer, the Guarantor and the Company (each a “**Dealer**”, and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**Relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**” or “**HKSE**”) for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only during the 12-month period after the date of this document on the HKSE. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors: The Issuer, the Guarantor and the Company confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, the Guarantor and the Company to fulfill their respective obligations in respect of the relevant Notes, the Guarantee, the Keepwell Deed are discussed under “*Risk Factors*”. In particular, each Tranche of the Notes will be unconditionally and irrevocably guaranteed by the Guarantor, with the benefit of a Keepwell Deed provided by the Company. Investors of the Notes should be aware that the Keepwell Deed does not constitute a direct or indirect guarantee of the Notes by the Company, and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors of the Notes should familiarise themselves with before making an investment in the relevant Tranche of the Notes. See “*Risks Relating to the Group’s Business and Industry*”, “*Risks Relating to the Notes Issued Under the Programme and the Guarantee*” and “*Risks Relating to the Keepwell Deed*”. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” beginning on page 26 of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in “**Summary of the Programme**”) of the Notes will be set out in a Pricing Supplement (as defined in “**Summary of the Programme**”) which 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. 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.

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

**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 Joint 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.

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]204號)) issued by the National Development and Reform Commission of the PRC (the “ **NDRC**”) and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota and/or the relevant pre-issuance registration or amended registration certificate available to the Company (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 the Notes, the Company undertakes to make the required filing with the NDRC within the period prescribed in the relevant certificate of any registration or amended registration with respect to the offering of the Notes with the NDRC.

**PRIIPs Regulation – Prohibition of Sales to EEA Retail Investors –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes: (a) 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 (“**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes. 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.

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

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**”, and together with the Temporary Global Note, the “**Global Notes**” and each a “**Global Note**”). Bearer Notes that are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(ii)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (“**TEFRA D**”) must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership. Notes in registered form (“**Registered Notes**”) will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes of each Series will be represented on issue by a global certificate (each a “**Global Certificate**”). Global Notes may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), or with a sub-custodian for the Central Money Markets Unit Service (the “**CMU**”) operated by the Hong Kong Monetary Authority. Until the expiration of 40 days after the provision of the commencement of the offering of a Tranche of a registered Series and the issue date thereof, beneficial interests in a Global Note may be held only through Euroclear or Clearstream, Luxembourg or the CMU. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in “*Summary of Provisions Relating to the Notes while in Global Form*”.

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”)** – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Programme has been rated “**BBB**” by S&P Global Ratings (“**S&P**”), “**Baa1**” by Moody’s Investors Services, Inc. (“**Moody’s**”) and “**BBB+**” by Fitch Ratings Ltd (“**Fitch**”). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in “**Summary of the Programme**”) 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.

**Joint Arrangers**

**China International Capital Corporation**

**Citigroup**

**Standard Chartered Bank**

**China International  
Capital Corporation**

**Citigroup**

**Standard Chartered  
Bank**

**Bank of  
Communications**

**China Construction  
Bank (Asia)**

**Industrial Bank Co., Ltd.  
Hong Kong Branch**

**ICBC (Asia)**

**Shanghai Pudong Development Bank  
Hong Kong Branch**

This Offering Circular dated September 17, 2021.



## NOTICE TO INVESTORS

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, the Hong Kong Group, the Company, the Group, the Notes, the Guarantee, and the Keepwell Deed. Each of the Issuer, the Guarantor and the Company 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.

Each of the Issuer, the Guarantor and the Company, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor, the Company and its subsidiaries taken as a whole (the “**Group**”), the Notes, the Guarantee and the Keepwell Deed in the context of the issue, offering, sale or distribution of the Notes, (ii) all statements of fact relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee and the Keepwell Deed contained in this Offering Circular are in any material respect true and accurate and not misleading, (iii) there are no other facts in relation to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee and the Keepwell Deed the omission of which would, in the context of the issue of the Notes, make any statement in this Offering Circular misleading in any material respect, (iv) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor, the Company and the Group contained in this Offering Circular are honestly made or held and have been reached after considering the relevant circumstances and have been based on reasonable assumptions, and (v) all reasonable enquiries have been made by the Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such statements.

Each Tranche (as defined in “*Summary of the Programme*”) 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 a Pricing Supplement (as defined in “*Summary of the Programme*”). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see “*Information Incorporated by Reference and Financial Information*”) and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Company and China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited and Standard Chartered Bank (the “**Joint Arrangers**”) and the Dealers (as defined in “*Summary of the Programme*”), to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Company, the Joint Arrangers, the Dealers or any of their respective affiliates, directors, officers, employees, representatives, agents or any person who controls any of them represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action is being taken by the Issuer, the Guarantor, the Company, the Joint Arrangers or the Dealers to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

No prospectus is required in accordance with the Prospectus Regulation in relation to offers of Notes under the Programme.

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see “*Subscription and Sale*”.

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 Company, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Company, 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 or is authorised by the Issuer, the Guarantor and the Company to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Company, the Group, the Joint Arrangers, any Dealer, the Trustee or the Agents (as defined in the Conditions). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Company, the Group or any of them since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

This Offering Circular is highly confidential and has been prepared by the Issuer, the Guarantor and the Company solely for use in connection with the Programme and the proposed offering of the Notes under the Programme as described herein. None of the Issuer, the Guarantor and the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

None of the Joint Arrangers, the Dealers, the Trustee and the Agents nor any director, officer, employee, agent, representative, adviser or affiliate of any such person nor any person who controls any of them have independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly, no representation or warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted by the Joint Arrangers, the Dealers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular, any Pricing Supplement or any other information provided by the Issuer, the Guarantor or the Company in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or



shall be relied upon as, a promise, representation or warranty by the Joint Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers. None of this Offering Circular, any Pricing Supplement or any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by any of the Issuer, the Guarantor, the Company, the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Joint Arrangers, the Dealers, the Trustee or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Joint Arrangers, the Dealers, the Trustee or the Agents or on its behalf in connection with the Issuer, the Guarantor, the Company the Group, the Guarantee, the Keepwell Deed, the Programme or the issue and offering of the Notes. The Joint Arrangers, the Dealers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

None of the Issuer, the Guarantor, the Company, the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (THE “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 OVERALLOTMENT 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.**

*Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

**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 Joint 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.

**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) 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**”); and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a

person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**Company**”, “**CICC**”, the “**Group**” and words of similar import, are to China International Capital Corporation Limited itself, or to China International Capital Corporation Limited and its subsidiaries, as the context requires.

Unless otherwise specified or the context requires, all references herein to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to “**U.S.**” are to the United States of America and to “**EU**” are to the European Union; all references to “**Hong Kong dollars**”, “**HK dollars**”, “**HKD**” and “**HK\$**” are to the lawful currency of Hong Kong, to “**US dollars**”, “**USD**”, “**U.S.\$**” or “**US\$**” are to the lawful currency of the United States of America, to “**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC, to “**sterling**” or “**£**” are to the lawful currency of the United Kingdom and to “**euro**”, “**EUR**” or “**€**” are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time. “**PRC Government**” in this Offering Circular means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them.

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

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

## INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

- (i) each relevant Pricing Supplement;
- (ii) the unaudited but reviewed consolidated interim financial statements of the Group as at and for the six months ended June 30, 2021, prepared and presented in accordance with International Financial Reporting Standards (“**IFRS**”), reviewed by Deloitte Touche Tohmatsu (“**Deloitte**”), the independent auditors of the Group since 1 January 2019;
- (iii) all amendments and supplements from time to time to this Offering Circular; and
- (iv) any audited consolidated annual financial statements or unaudited but reviewed consolidated interim financial statements of the Group, in each case together with any audit or review reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time;

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

The unaudited but reviewed financial information of the Group as at and for the six months ended June 30, 2020 and 2021 has been extracted from the condensed consolidated financial statements of the Group as at and for the six months ended June 30, 2021, which are included elsewhere in this Offering Circular and has been reviewed by Deloitte, the independent auditor of the Group. The financial statements of the Group were prepared and presented in accordance with IFRS. Such unaudited but reviewed financial information as at and for six months ended June 30, 2021 should not be taken as an indication of the expected financial condition, results of operations or results of the Group for the full financial year ending December 31, 2021.

The audited financial information of the Group as at and for the years ended December 31, 2019 and 2020 has been extracted from the consolidated financial statements of the Group as at and for the year ended December 31, 2020, which are included elsewhere in this Offering Circular and has been audited by Deloitte. Such financial statements of the Group were prepared and presented in accordance with IFRS.

The audited financial information of the Hong Kong Group as at and for the years ended December 31, 2019 and 2020 has been extracted from the consolidated financial statements of the Hong Kong Group as at and for the year ended December 31, 2020, which is included elsewhere in this Offering Circular and has been audited by Deloitte, the independent auditor of the Hong Kong Group. Such financial statements of the Hong Kong Group were prepared and presented in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) and have been properly prepared in compliance with the Companies Ordinance.

As the Guarantor is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The information incorporated by reference is considered to be a part of this Offering Circular. Each document incorporated by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the Group’s affairs since the date thereof or that the information contained therein is current as at any time subsequent to its date.

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

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon written request) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the specified office of the Trustee set out at the end of this Offering Circular.



## FORWARD-LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Description of the Group*”, “*Description of the Guarantor and the Hong Kong Group*” and elsewhere in this Offering Circular constitute “forward-looking statements”. The words including “believe”, “expect”, “plan”, “anticipate”, “schedule”, “estimate”, “intend”, “could”, “may”, “going forward” 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 Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to 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 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 Group’s present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

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

This Offering Circular also discloses, under “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from the Issuer’s, the Guarantor’s or the Company’s expectations. The forward-looking statements reflect the views of the Issuer, the Guarantor and/or the Company with respect to future events and are not a guarantee of future performance or developments. Each of the Issuer, the Guarantor and the Company expressly disclaims 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, the Company's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. All subsequent written and forward-looking statements attributable to the Issuer, the Guarantor or the Company or persons acting on behalf of the Issuer, the Guarantor or the Company are expressly qualified in their entirety by such cautionary statements.

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## DEFINITIONS AND CONVENTIONS

*In this Offering Circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.*

<b>A Share(s)</b>	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
<b>A Share Offering and Listing</b>	the initial public offering of RMB ordinary shares (A shares) and listing on the Shanghai Stock Exchange of the Company
<b>Articles of Association</b>	the articles of association of the Company (as amended)
<b>AUM</b>	assets under management
<b>B shares</b>	Foreign invested shares that are traded on the Shanghai Stock Exchange or Shenzhen Stock Exchange in U.S. dollars or HK dollars
<b>Board or Board of Directors</b>	the board of directors of CICC
<b>BVI</b>	the British Virgin Islands
<b>China or PRC</b>	the People's Republic of China excluding, for the purpose of this Offering Circular, Hong Kong, Macau and Taiwan
<b>China Financial Futures Exchange</b>	the China Financial Futures Exchange (中國金融期貨交易所)
<b>China Futures Association or CFA</b>	the China Futures Association (中國期貨業協會)
<b>China Securities Finance</b>	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock company established under the direction of the State Council to provide, among other functions, funding and securities refinancing services to support the margin financing and securities lending businesses of PRC securities firms
<b>CICC Capital</b>	CICC Capital Management Co., Ltd. (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly-owned subsidiary of the Company
<b>CICC Fund Management</b>	CICC Fund Management Co., Ltd (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly owned subsidiary of CICC
<b>CICC Futures</b>	CICC Futures Co., Ltd (中金期貨有限公司), a wholly owned subsidiary of the Company, formerly known as Fortune Futures prior to acquisition by the Company in 2015
<b>CICC HK AM</b>	China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly owned subsidiary of CICC Hong Kong

<b>CICC HK Futures</b>	China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly owned subsidiary of CICC Hong Kong
<b>CICC HK Securities</b>	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly owned subsidiary of CICC Hong Kong
<b>CICC Hong Kong or Guarantor</b>	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong in April 1997 and a wholly owned subsidiary of CICC
<b>CICC Hong Kong Finance 2016 MTN Limited</b>	CICC Hong Kong Finance 2016 MTN Limited, a company with limited liability incorporated in British Virgin Islands on April 15, 2016 and a wholly owned subsidiary of CICC Hong Kong
<b>CICC Investment Group</b>	CICC Investment Group Company Limited, a company incorporated in the British Virgin Islands in September 2006 and a wholly owned subsidiary of CICC Hong Kong
<b>CICC Jiacheng</b>	CICC Jiacheng Investment Management Corporation Limited (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly owned subsidiary of CICC
<b>CICC Private Equity</b>	CICC Private Equity Management Co., Ltd. (中金私募股權投資管理有限公司), a company incorporated in the PRC in October 2020 and a wholly-owned subsidiary of the Company
<b>CICC Pucheng</b>	CICC Pucheng Investment Co., Ltd. (中金浦成投資有限公司), a company incorporated in the PRC in April 2012 and a wholly-owned subsidiary of the Company
<b>CICC US Securities</b>	CICC US Securities, Inc., a company incorporated in the United States in August 2005 and a wholly-owned subsidiary of the Company
<b>CICC Wealth Management</b>	China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司), formerly known as China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of the Company
<b>CISC</b>	China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of the Company, whose name was changed to China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司) in August 2019
<b>CMBS</b>	commercial mortgage-backed securities
<b>Companies (Winding Up and Miscellaneous Provisions) Ordinance</b>	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>Companies Ordinance</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

<b>Company or CICC</b>	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock limited company in the PRC converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015
<b>Company Law</b>	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
<b>CSDC</b>	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
<b>CSRC</b>	the China Securities Regulatory Commission (中國證券監督管理委員會)
<b>Director(s)</b>	director(s) of CICC
<b>EIT</b>	enterprise income tax of the PRC
<b>EIT Law</b>	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
<b>ETF(s)</b>	exchange-traded fund(s)
<b>FICC</b>	fixed income, commodities and currencies
<b>FoF</b>	Fund of Fund
<b>GDP</b>	gross domestic product
<b>Group</b>	CICC and the subsidiaries (or CICC and any one or more of the subsidiaries, as the context may require)
<b>H Share(s)</b>	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
<b>HKFRS</b>	Hong Kong Financial Reporting Standards
<b>HKICPA</b>	Hong Kong Institute of Certified Public Accountants
<b>HKSCC</b>	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
<b>Hong Kong or HK</b>	the Hong Kong Special Administrative Region of the PRC
<b>Hong Kong Group</b>	CICC Hong Kong and its subsidiaries
<b>Hong Kong Stock Exchange or HKSE</b>	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
<b>Huijin</b>	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
<b>I&amp;G</b>	China National Investment and Guaranty Corporation (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993



<b>ICAEW</b>	The Institute of Chartered Accountants in England and Wales
<b>IFRS</b>	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
<b>Issuer</b>	CICC Hong Kong Finance 2016 MTN Limited
<b>Jinteng Technology</b>	Jinteng Technology Co., Ltd. (金騰科技信息(深圳)有限公司), a company incorporated in the PRC in June 2020 and a joint venture of the Company and Tencent Technology (Shenzhen) Co., Ltd. (騰訊數碼(深圳)有限公司)
<b>LEI</b>	the legal entity identifier
<b>Macau</b>	the Macau Special Administrative Region of the PRC
<b>Ministry of Finance or MOF</b>	the Ministry of Finance of the PRC (中華人民共和國財政部)
<b>MOFCOM</b>	the Ministry of Commerce of the PRC (中華人民共和國商務部)
<b>NDRC</b>	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
<b>NEEQ</b>	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
<b>NSSF</b>	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
<b>PBOC</b>	the People's Bank of China (中國人民銀行), the central bank of the PRC
<b>PRC Government or State</b>	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
<b>QDII</b>	Qualified Domestic Institutional Investor (合格境內機構投資者)
<b>QFII</b>	Qualified Foreign Institutional Investor (合格境外機構投資者)
<b>Red chip</b>	a China-based company incorporated outside of China and listed on the Hong Kong Stock Exchange
<b>REITs</b>	real estate investment trusts
<b>Regulation S</b>	Regulation S under the U.S. Securities Act
<b>REPOs</b>	financial assets sold under repurchase agreements
<b>RMBS</b>	residential mortgage backed securities (個人住房按揭貸款資產證券化)

<b>RQFII</b>	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
<b>SAC</b>	the Securities Association of China (中國證券業協會)
<b>SAFE</b>	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
<b>SASAC</b>	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
<b>SAT</b>	the State Administration of Taxation of the PRC (國家稅務總局)
<b>“Science and technology innovation board” or “STAR Market”</b>	Sci-Tech innovation board of Shanghai Stock Exchange
<b>Securities Act</b>	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
<b>Securities Law</b>	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
<b>SFC</b>	the Securities and Futures Commission of Hong Kong
<b>SFO</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>Shanghai-Hong Kong Stock Connect</b>	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shanghai
<b>Shanghai Stock Exchange</b>	the Shanghai Stock Exchange (上海證券交易所)
<b>Shenzhen Stock Exchange</b>	the Shenzhen Stock Exchange (深圳證券交易所)
<b>SMEs</b>	small-and medium-sized enterprises
<b>SOE(s)</b>	state-owned enterprise(s)
<b>State Council</b>	the State Council of the PRC (中華人民共和國國務院)
<b>Supervisor(s)</b>	supervisor(s) of CICC
<b>Supervisory Committee</b>	the supervisory committee of CICC
<b>SZSE</b>	the Shenzhen Stock Exchange (深圳證券交易所)
<b>Tencent</b>	Tencent Holdings and its subsidiaries

<b>Tencent Holdings</b>	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 700)
<b>TMT</b>	telecommunications, media and technology
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>United States or U.S. or USA or US</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>%</b>	per cent.

## SUMMARY

*This summary aims to give you an overview of the information contained in this Offering Circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Notes.*

*There are risks associated with any investment. Some of the particular risks in investing in the Notes are set out in “Risk Factors” in this Offering Circular. You should read that section carefully before you decide to invest in the Notes.*

### **The Issuer**

The Issuer was incorporated in the British Virgin Islands as a company limited by shares on April 15, 2016 under the BVI Business Companies Act (as amended) of the British Virgin Islands (company number: 1911549). The registered office of the Issuer is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. As at the date of this Offering Circular, the Issuer is authorized to issue a maximum of 50,000 shares of one class of US\$1.00 par value each and two shares of US\$1.00 value have been issued to the Guarantor.

### **The Guarantor**

The Guarantor was incorporated on April 4, 1997 and is registered as a company with limited liability under the laws of Hong Kong with company number 602470. Its registered office is situated at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The Guarantor is a direct wholly-owned subsidiary of CICC. It is the first wholly-owned overseas subsidiary of CICC, and it serves as the primary overseas investment holding platform of the Group. The principal business of the Guarantor is investment holding, and the Group conducts its overseas business through the Hong Kong Group and manages the Hong Kong Group through vertical management. The Hong Kong Group’s business is highly synergistic to the Group’s onshore business.

### **The Group**

#### ***Overview***

The Group is a premier China-based investment bank with international reach. The Group has built a distinguished market presence with an excellent team, client base and brand name, which enables it to capture market opportunities. The Group’s goal is to become a world-class financial institution with global influence.

The Group was the first joint-venture investment bank in the PRC. As a pioneer in adopting international best practices with a thorough understanding of the Chinese market, the Group quickly became a flagship investment bank in China. The Group has spearheaded the development of the PRC’s capital markets by completing many precedent-setting transactions.

The Group expects that the new round of financial reforms initiated in the PRC will enhance the role of securities firms in the financial markets in general and believes that it is uniquely well-positioned to take advantage of these significant opportunities attributable to its leading position in investment banking and cross-border execution capabilities.

The Group’s success is built upon its clients’ success. The Group aims to provide the best products and services to its clients. The Group strives to accomplish this mission by adhering to the following core values:

- **By the People and For the Nation (以人為本，以國為懷):** People are the Group's most valuable assets. The Group strives to attract, cultivate and retain the best people. Since its inception, the Group has positioned itself as a China-based investment bank with international perspectives. It is the Group's mission to serve the nation by promoting economic reform and long-term development of the capital markets.
- **Professionalism and Diligence (勤奮專業):** The Group develops its businesses up to the highest professional standards, and nurtures a high-calibre team of financial professionals, who boast international visions, diligently perform their duties and share the Group's corporate values.
- **Innovation and Entrepreneurship (積極進取):** Innovation is the lasting force that drives the Group forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, the Group is always prepared to embrace changes and continue to deliver innovative products and quality services to its clients.
- **Client First (客戶至上):** The Group always puts its clients first. The Group develops and maintains long-term relationships of trust with its clients by truly safeguarding their interests and satisfying their needs.
- **Integrity (至誠至信):** The Group builds its franchise upon the utmost professional integrity and highest ethical standards. The Group values its franchise and never compromises on integrity.
- **Chinese Roots and International Reach (植根中國，融通世界):** As a China-based global investment bank, the Group is proud of its Chinese roots and of its international DNA. It bridges China and the world by providing best-in-class services to clients at home and abroad.

## Recent Developments

### *The Outbreak and Spread of COVID-19*

Since the outbreak of COVID-19 in January 2020 and with the continuous spread of COVID-19, the Group has actively responded to and resolutely implemented the requirements of the "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the PBOC, the MOF, the CBIRC, the CSRC and the SAFE, and strengthened the financial support for epidemic prevention and control, including underwriting certain bonds issued for the event. COVID-19 has affected, and will continue to affect, the global economic outlook and enterprise operations. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. In 2020, confronted with the impact of the global spread of COVID-19 pandemic as well as the complex and harsh market environment, the Group actively coped with the challenges and implemented effective pandemic prevention and control and efficient business management. It maintained a rapid businesses development and continuously improved its operating efficiency.

The Group will continuously monitor the development of COVID-19 and assess any significant impacts of COVID-19 on the business operations, financial condition and results of operations. See "*Risk Factors – Risks Relating to the Group's Business and Industry – Changes in the general economic and market conditions in China and other jurisdictions where the Group operates could materially and adversely affect the Group's business, financial condition, results of operations and prospects*" and "*Risk Factors – Risks Relating to the Group's Business and Industry – Any future occurrence of force majeure events, natural disasters, terrorist attacks or outbreaks of contagious diseases may have a material adverse effect on the Group's business operations, financial condition and results of operations*" for further information.

### ***Business Integration between the Company and CICC Wealth Management***

On July 11, 2021, the Board of Directors considered and approved the *Proposal regarding Further Integration of Relevant Business between China International Capital Corporation Limited and China CICC Wealth Management Securities Company Limited*, pursuant to which the Company intends to further realize the business integration between the Company and CICC Wealth Management, a wholly-owned subsidiary of the Company, by transferring the domestic wealth management business of the Company to CICC Wealth Management (the “**Business Integration**”).

The specific plan for the Business Integration is as follows: the Company will transfer 20 securities branches (including their assets and liabilities) engaged in domestic wealth management business to CICC Wealth Management, and will transfer other clients, businesses and contracts related to domestic wealth management business to CICC Wealth Management. Upon completion of the Business Integration, the Company will carry out investment banking business, equities business, fixed-income, commodities and currencies business, asset management business and private equity investment business in the capacity of the parent company, while CICC Wealth Management will carry out wealth management business in the capacity of the subsidiary. The no-objection letter on the Business Integration plan has been obtained from the CSRC.

The Business Integration is to accelerate the transformation and upgrading of the wealth management business of the Group, and to lay a solid foundation for building a first-class international investment bank and a world-class top-notch wealth management platform. The Business Integration will not change the shareholding structure of CICC Wealth Management. Upon completion of the Business Integration, CICC Wealth Management will remain a wholly-owned subsidiary of the Company, and the scope of the consolidated financial statements of the Company will remain unchanged. The Business Integration will not have a material impact on the profit or loss for the period in the consolidated financial statements of the Company.

### ***Establishment of the Asset Management Subsidiary***

On April 19, 2021, the Company announced that in order to further seize business opportunities and build a leading asset management platform, the Company intends to establish a wholly-owned asset management subsidiary (“**Asset Management Subsidiary**”) and apply for the mutual fund manager license. The above resolution has been considered and approved by the 2020 annual general meetings of the shareholders on May 18, 2021. The Company has submitted the application to the CSRC. The Asset Management Subsidiary shall be established upon the approval of the CSRC.

### **The Group’s Business Model**

The Group’s products and services are classified into the following segments:

- **Market leading investment banking business.** The Group provides investment banking services, including equity financing, debt and structured financing and financial advisory services, to domestic and overseas corporations and institutional clients. The Group has built the leading investment banking franchise in the PRC. The Group actively grasps the opportunities in the primary market, consolidates its advantages in benchmark projects, and explores innovative financing instruments, so as to provide all-round financing services for deepening the supply-side structural reforms and accelerating the development of the new economy.
- **Leading equities business.** The Group provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions. The Group has an experienced institutional sales, deal execution and product design team covering brokerage services, capital-based intermediary services, and product services to institutional investors. The Group believes that it has attained a leading position among all PRC securities firms



in serving QFII and RQFII clients. The Group actively expands institutional coverage, improves its product innovation capabilities, strengthens cross-border business presence, promotes systems development and digitalization, and endeavours to provide the one-stop comprehensive financial services covering “sales, trading, investment and research, products and cross-border business” for domestic and foreign professional investors.

- **Comprehensive FICC business.** The Group provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities. The Group has a diverse and growing client base for its FICC business that includes commercial banks, insurance companies, mutual funds, QFIIs, hedge funds, trust companies, asset management companies, finance companies and corporations.
- **Diversified asset management business.** The Group designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business. The Group has a fully licensed and diversified investment management platform that serves institutional clients, high-net-worth clients and retail clients. The Group’s main product offerings include corporate annuities and collective pension plans, government venture capital funds, stock economic reform funds, US funds of funds, US equity investment funds, RMB equity investment funds and M&A funds, as well as other cross-border and alternative products.
- **Industry-leading private equity investment business:** the Group designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds and infrastructure funds. The Group maintains industry-leading position. On the basis of sound business foundation, the Group positively strengthens cooperation with multinational corporations and large-sized industrial groups, and continues to deepen business presence in key regions. The Group seeks to accelerate the construction of a unified and open management platform to realize resource concentration and management collaboration internally and to form an open platform ecosystem externally.
- **Top-tier wealth management services.** The Group provides a wide range of wealth management products and services, consisting of transactional services, capital services and product allocation services, to retail clients, families and corporate clients. The Group is a pioneer in the PRC in introducing an advice-driven service model for wealth management services, providing tailored products and services to high-net-worth clients, and it continues to differentiate itself by its highly regarded asset allocation research capabilities.

#### *Competitive Strengths*

- Strategic establishment with solid government support and outstanding shareholder background;
- Premier brand and unique culture;
- High-quality and loyal customer base spanning a multitude of industries;
- Pioneer in China investment banking industry with outstanding cross-border capability and distinct international DNA;
- Rapid and sustainable growth underpinned by strong innovation capabilities;
- Leading and influential research and advanced information technology capabilities;

- Enhanced capital and asset-liability management and diversified funding sources contribute to sound financial flexibility;
- Efficient management model and prudent risk management mechanism; and
- Experienced management and high-quality workforce.

### ***Business Strategies***

The Group's success comes from its ability to stay ahead of the market trends and provide innovative solutions to its clients. The accelerated economic transformation and development, the continual implementation of the opening-up policy, and the reform and innovation of the capital market have laid a solid ground for further development of the securities industry, and have provided fertile soil for the rise of the Company as a first-class international investment bank. As one of the most influential Chinese investment bank in the international capital market, the Group has acted in response to the trend and clearly put forward the medium and long-term strategic goal of "building a world-class investment bank". In the past year, the Group steadily forged ahead with the execution of various strategic measures, with priority given to medium and long-term development, market share and revenue growth.

The Group will focus on the "Three+One" strategies, i.e. "digitization, regionalization and internationalization" and "One CICC", and strive to enter a higher stage of development in terms of both scale and quality by increasing resource investment, improving network layout, accelerating transformation and development, and consolidating the middle and back-office capabilities.

The Group expects that its strategy will solidify its leading position, achieve attractive growth and enhance shareholder value. In particular, the Group intends to implement the following business strategies:

- Client: improving network layout and expanding customer coverage;
- Product: stay innovative and focus on client facilitation;
- Risk management: optimize the corporate governance structure and management system to enhance effectiveness and comprehensiveness;
- Business development: consolidate leading advantages of institutional, high-end and crossborder businesses, accelerate expansion of retail, asset management and other emerging businesses, and continuously expand the coverage and influence of CICC research at home and abroad;
- Domestic and international coverage: deepen local penetration and expand international footprints to strengthen the Group's cross-border capabilities and accelerate the pace of internationalization;
- Technology and infrastructure: promote digital transformation to drive growth; and
- Talent and culture: attract, cultivate and retain talent, promote the group's unique culture and build an inclusive and cohesive corporate culture.

See "*Description of the Issuer*", "*Description of the Guarantor and the Hong Kong Group*" and "*Description of the Group*".

## OFFER STRUCTURE

*The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled “Risk Factors,” “Terms and Conditions of the Notes,” and “Description of the Keepwell Deed”.*

### **The Notes and the Guarantee**

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

On the relevant Issue Date, the Notes will have the benefit of a Guarantee by the Guarantor. Pursuant to the Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under and in respect of the Notes, the Receipts and the Coupons relating to them and the Trust Deed (as defined in “*Terms and Conditions of the Notes*”).

### **The Keepwell Deed**

The Issuer, the Guarantor, the Company and the Trustee have executed the Keepwell Deed (as further described in “*Description of the Keepwell Deed*”) in favour of the Trustee. Defined terms used in this section shall have the meanings given to them in the Keepwell Deed or the Conditions.

Pursuant to the Keepwell Deed, the Company undertakes, among other things, that:

- at all times during the term of the Keepwell Deed, (a) it shall directly or indirectly own and hold all the outstanding ordinary shares of the Issuer having the right to vote for election of members of the board of directors of the Issuer and (b) it will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged;
- at all times during the term of the Keepwell Deed, (a) it shall directly or indirectly continue to own and hold all the outstanding ordinary shares of the Guarantor having the right to vote for election of members of the board of directors of the Guarantor and (b) it will not, directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such ordinary shares of the Guarantor, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged;
- it shall cause each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by each of the Issuer and the Guarantor of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the Notes and the Guarantee in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement); and
- it will cause the Guarantor to remain the primary overseas platform of the Company for investment and offshore financing.

If the Issuer or the Guarantor (as the case may be) at any time determines that it will have insufficient liquidity to meet its payment obligations in respect of the Notes, the Guarantee, or the Trust Deed as and when they fall due, it shall promptly notify the Company of the shortfall and the Company will cause the Issuer or the Guarantor (as the case may be) to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or the Guarantor (as the case may be) to pay such payment obligations in full as and when they fall due, provided, however, that the Company shall not in any event be required to perform any part of the payment obligations in lieu of the Issuer and/or the Guarantor under the Notes.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed as evidence of, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction, including the PRC. In addition, the Keepwell Deed may not give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC.

The parties to the Keepwell Deed further acknowledge that in order for the Company to comply with its obligations under the Keepwell Deed, it may require Regulatory Approvals. See *“Risk Factors – Risks Relating to the Keepwell Deed – The Keepwell Deed is not a guarantee of the payment obligations under the Notes and the Guarantee and may not give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. The performance by the Company’s obligation thereunder may be subject to Regulatory Approvals.”*

For further details, please refer to *“Description of the Keepwell Deed”*.

## SUMMARY OF THE PROGRAMME

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

<b>Issuer</b>	CICC Hong Kong Finance 2016 MTN Limited (LEI of the Issuer is 529900N4NO8N9ILCZC31)
<b>Guarantor</b>	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司)
<b>Company</b>	China International Capital Corporation Limited (中國國際金融股份有限公司) as the provider of the Keepwell Deed
<b>Programme</b>	Guaranteed Medium Term Note Programme
<b>Size</b>	Up to U.S.\$10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
<b>Risk Factors</b>	<p>Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, the Guarantor and the Company to fulfil their respective obligations in respect of the relevant Notes, the Guarantee, the Keepwell Deed are discussed under “Risk Factors”.</p> <p>In particular, each Tranche of the Notes will be unconditionally and irrevocably guaranteed by the Guarantor, with the benefit of a Keepwell Deed provided by the Company. Investors of the Notes should be aware that the Keepwell Deed does not constitute a direct or indirect guarantee of the Notes by the Company, and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors of the Notes should familiarise themselves with before making an investment in the relevant Tranche of the Notes. See “Risks Relating to the Group’s Business and Industry”, “Risks Relating to the Notes Issued Under the Programme and the Guarantee” and “Risks Relating to the Keepwell Deed”.</p>
<b>Joint Arrangers</b>	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), Citigroup Global Markets Limited and Standard Chartered Bank.
<b>Dealers</b>	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, Standard Chartered Bank, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch.

The Issuer, the Guarantor and the Company may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealer(s) either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “Dealers” are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.

**Certain Restrictions**

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”) including the following restriction applicable at the date of this Offering Circular.

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of Professional Investors and have a denomination of at least £100,000 or its equivalent in other currencies (see “*Subscription and Sale*”).

**Trustee**

Citicorp International Limited

**Issuing and Paying Agent and Transfer Agent (in respect of Notes not cleared through the CMU)**

Citibank, N.A. London Branch

**Registrar**

Citibank, N.A. London Branch

**CMU Lodging and Paying Agent and Transfer Agent (in respect of Notes cleared through the CMU)**

Citicorp International 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 and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the “**Pricing Supplement**”).



<b>Issue Price</b>	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.
<b>Form of Notes</b>	The Notes will be issued in bearer or registered form as described in “ <i>Terms and Conditions of the Notes</i> ”. Registered Notes may not be exchanged for Bearer Notes and <i>vice versa</i> .
<b>Clearing Systems</b>	Clearstream, Luxembourg, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the Relevant Dealer(s).
<b>Initial Delivery of Notes</b>	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent, or, as the case may be, the CMU Lodging and Paying Agent and, where relevant, the Registrar, and the Relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
<b>Currencies</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor, the Issuing and Paying Agent and the Relevant Dealer(s).
<b>Maturities</b>	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s).
<b>Specified Denomination</b>	Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s) save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (see “ <i>Certain Restrictions</i> ” above).
<b>Fixed Rate Notes</b>	Fixed interest will be payable in arrears on such date or dates as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s).
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) by reference to LIBOR, EURIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or
- (iii) on such other basis as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s).

Interest periods will be specified in the relevant Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes (as defined in “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Notes**

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

**Index Linked Notes**

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

**Interest Periods and Interest Rates**

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

<b>Redemption</b>	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following a Change of Control Put Event or an Event of Default (as defined in “<i>Terms and Conditions of the Notes</i>”)) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s). The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions – Notes having a maturity of less than one year</i>” above.</p>
<b>Optional Redemption</b>	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.
<b>Redemption for Change of Control Put Event</b>	The terms and conditions of the Notes allow for the election in the Pricing Supplement for the early redemption of the Notes at the option of the Noteholders thereof upon the occurrence of a Change of Control Put Event as further described in Condition 6(f) of the Conditions.
<b>Redemption for Taxation Reasons</b>	Notes will be redeemable at the Issuer’s option prior to maturity for tax reasons as further described in Condition 6(c) of the Conditions.
<b>Status of Notes</b>	The Notes and the Receipts and the Coupons relating to them will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and will rank at all times <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
<b>Status of the Guarantee</b>	The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.
<b>Negative Pledge</b>	The Notes will contain a negative pledge provision as described in Condition 4(a) of the Conditions.
<b>Cross-Acceleration</b>	The Conditions will contain a cross-acceleration provision as described in Condition 10(c) of the Conditions.

**Withholding Tax**

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any authority therein or thereof having power to tax, unless such 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, pay such additional amounts as will result in the Noteholders and Couponholders receiving such amounts as they would have received had no such withholding or deduction been required as further described in Condition 8 of the Conditions.

**Ratings**

The Programme has been rated “BBB” by S&P, “Baa1” by Moody’s and “BBB+” by Fitch. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Governing Law**

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

**Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the Trust Deed, the Agency Agreement and the Keepwell Deed.

**Listing and Trading**

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

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.

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 HKD500,000 (or its equivalent in other currencies).

## **Selling Restrictions**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “Subscription and Sale”.

Bearer Notes will be issued in compliance with U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (“**TEFRA D**”) unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“**TEFRA C**”) or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”) is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.

## SELECTED FINANCIAL INFORMATION OF THE GROUP

The summary audited financial information of the Group as at and for the year ended December 31, 2019 and 2020 has been extracted from the audited consolidated financial statements of the Group as at and for the year ended December 31, 2020, which are included elsewhere in this Offering Circular and have been audited by Deloitte, the independent auditor of the Group. Such financial statements of the Group were prepared and presented in accordance with IFRS.

The summary reviewed financial information of the Group as at and for the six months ended June 30, 2020 and 2021 has been extracted from the reviewed condensed consolidated financial statements of the Group as at and for the six months ended June 30, 2021, which are included elsewhere in this Offering Circular and has been reviewed by Deloitte. Such financial statements of the Group were prepared and presented in accordance with IFRS. The unaudited but reviewed financial information as at and for six months ended June 30, 2021 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending December 31, 2021.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group and the notes thereto included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.

### I Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB)	(RMB)	(RMB)	(RMB)
Revenue:				
Fee and commission income . . . . .	10,733,052,264	15,614,699,770	6,042,978,417	8,297,052,187
Interest income . . . . .	4,800,188,053	5,644,871,039	2,500,774,036	3,431,922,995
Investment income . . . . .	6,958,642,800	13,158,640,416	5,500,668,577	8,163,474,119
Total revenue . . . . .	22,491,883,117	34,418,211,225	14,044,421,030	19,892,449,301
Other income/(losses), net . . . . .	290,627,436	(2,016,384,259)	248,188,821	(413,004,783)
Total revenue and other income . . . . .	22,782,510,553	32,401,826,966	14,292,609,851	19,479,444,518
Expenses:				
Fee and commission expenses . . . . .	1,186,330,727	1,989,083,356	806,017,646	1,105,467,064
Interest expenses . . . . .	5,895,513,419	6,713,748,168	2,999,459,061	3,942,995,882
Staff costs . . . . .	7,202,881,554	10,775,510,804	5,174,227,245	6,560,611,199
Depreciation and amortisation expenses . . . . .	913,235,412	1,000,778,080	490,257,928	540,395,348
Tax and surcharges . . . . .	84,392,616	115,775,920	50,954,462	59,437,226
Other operating expenses and costs . . . . .	2,099,330,393	2,088,661,086	805,199,302	1,214,934,063
Provision for/(reversal of) impairment losses under expected credit loss model . . . . .	159,597,831	972,795,291	167,261,838	(29,502,853)
Total expenses . . . . .	17,541,281,952	23,656,352,705	10,493,377,482	13,394,337,929
Operating profit . . . . .	5,241,228,601	8,745,474,261	3,799,232,369	6,085,106,589
Share of profits/(losses) of associates and joint ventures . . . . .	60,403,081	(32,791,974)	9,457,408	33,963,901
Profit before income tax . . . . .	5,301,631,682	8,712,682,287	3,808,689,777	6,119,070,490
Less: Income tax expense . . . . .	1,053,804,852	1,450,542,933	729,936,340	1,103,142,914
Profit for the year/period . . . . .	4,247,826,830	7,262,139,354	3,078,753,437	5,015,927,576
Attributable to:				
Shareholders of the Company . . . . .	4,238,719,317	7,207,452,452	3,051,785,319	5,007,028,294
Non-controlling interests . . . . .	9,107,513	54,686,902	26,968,118	8,899,282
Basic earnings per share (in RMB per share) . . . . .	0.99	1.60	0.69	1.00
Profit for the year/period . . . . .	4,247,826,830	7,262,139,354	3,078,753,437	5,015,927,576

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	(Audited) (RMB)	(Audited) (RMB)	(Unaudited) (RMB)	(Unaudited) (RMB)
Other comprehensive income for the year				
Items that may be reclassified to profit or loss in subsequent periods:				
Financial assets at fair value through other comprehensive income:				
– Net gains/(losses) from changes in fair value . . . . .	370,839,097	(59,000,864)	103,004,113	87,129,620
– (Reversal of)/provision for expected credit losses . .	(3,108,166)	1,123,234	3,725,209	(7,038,532)
– Tax effect . . . . .	(17,850,298)	48,247,322	20,199,271	(15,831,802)
– Net gains transferred to profit or loss on disposals .	(200,589,971)	(143,553,236)	(193,818,347)	(28,540,222)
Interests in associates and joint ventures:				
– Share of other comprehensive income . . . . .	(103,278)	103,278	101,571	–
Foreign currency translation difference of financial statements of overseas subsidiaries . . . . .	165,151,703	(716,447,510)	106,922,023	(124,809,145)
Total other comprehensive income for the year/period, net of income tax . . . . .	314,339,087	(869,527,776)	40,133,840	(89,090,081)
Total comprehensive income for the year . . . . .	4,562,165,917	6,392,611,578	3,118,887,277	4,926,837,495
Attributable to:				
Shareholders of the Company . . . . .	4,553,058,404	6,337,924,676	3,091,919,159	4,917,938,213
Non-controlling interests . . . . .	9,107,513	54,686,902	26,968,118	8,899,282



## II Consolidated Statements of Financial Position

	As at December 31,		As at June 30,
	2019	2020	2021
	(Audited)	(Audited)	(Unaudited)
	(RMB)	(RMB)	(RMB)
Non-current assets:			
Property and equipment . . . . .	729,506,720	748,398,324	867,614,393
Right-of-use assets . . . . .	2,603,508,871	2,271,552,336	2,314,234,122
Goodwill . . . . .	1,582,678,646	1,582,678,646	1,582,678,646
Intangible assets . . . . .	285,100,659	310,819,976	331,547,969
Interests in associates and joint ventures . . . . .	1,168,476,657	1,188,852,866	1,207,481,372
Financial assets at fair value through profit or loss . . . . .	3,719,607,275	6,709,361,710	7,465,855,538
Financial assets held under resale agreements (“reverse REPOs”) . . . . .	241,608,278	902,186,358	664,544,428
Refundable deposits . . . . .	6,502,093,854	11,768,323,935	13,757,112,972
Deferred tax assets . . . . .	1,089,945,732	1,787,614,365	1,578,548,383
Other non-current assets . . . . .	1,315,599,799	510,965,054	608,397,100
Total non-current assets . . . . .	19,238,126,491	27,780,753,570	30,378,014,923
Current assets:			
Accounts receivable . . . . .	17,876,559,376	43,493,774,685	54,983,327,869
Receivable from margin clients . . . . .	23,189,950,890	33,884,813,279	36,417,311,524
Financial assets at fair value through other comprehensive income . . . . .	28,985,823,339	37,212,187,524	36,235,106,892
Financial assets at fair value through profit or loss . . . . .	164,472,286,846	240,896,335,935	281,854,851,219
Reverse REPOs . . . . .	14,057,328,635	17,528,510,790	27,954,650,230
Derivative financial assets . . . . .	4,502,204,258	12,311,263,836	14,637,593,586
Cash held on behalf of clients . . . . .	48,458,799,900	60,950,716,097	80,486,617,079
Cash and bank balances . . . . .	23,958,928,670	47,161,071,068	54,603,861,695
Other current assets . . . . .	231,234,510	401,072,832	525,442,173
Total current assets . . . . .	325,733,116,424	493,839,746,046	587,698,762,267
Total assets . . . . .	344,971,242,915	521,620,499,616	618,076,777,190
Current liabilities:			
Financial liabilities at fair value through profit or loss . . . . .	26,570,318,854	42,891,549,327	37,066,941,033
Derivative financial liabilities . . . . .	6,362,192,001	24,682,534,637	19,945,466,835
Accounts payable to brokerage clients . . . . .	48,337,872,171	70,655,180,456	86,054,478,211
Placements from financial institutions . . . . .	24,082,382,130	34,516,414,695	23,688,094,653
Short-term debt securities issued . . . . .	21,240,334,869	26,492,570,465	21,049,527,602
Financial assets sold under repurchase agreements (“REPOs”) . . . . .	24,708,257,231	25,101,083,823	33,984,265,455
Employee benefits payable . . . . .	4,843,433,026	7,805,043,988	6,644,069,480
Income tax payable . . . . .	991,893,266	915,619,202	834,142,720
Long-term debt securities issued due within one year . . . . .	21,806,085,676	23,386,443,319	30,388,068,810
Lease liabilities . . . . .	487,672,398	541,299,132	527,146,863
Contract liabilities . . . . .	339,489,435	170,928,280	383,149,837
Other current liabilities . . . . .	56,957,135,623	85,922,851,573	140,780,618,728
Total current liabilities . . . . .	236,727,066,680	343,081,518,897	401,345,970,227
Net current assets . . . . .	89,006,049,744	150,758,227,149	186,352,792,040
Total assets less current liabilities . . . . .	108,244,176,235	178,538,980,719	216,730,806,963
Non-current liabilities:			
Non-current employee benefits payable . . . . .	636,478,779	781,920,387	1,168,265,891
Long-term debt securities issued . . . . .	57,585,268,714	104,614,517,533	134,990,624,963
Deferred tax liabilities . . . . .	361,389,177	506,667,665	673,171,984
Lease liabilities . . . . .	972,322,130	663,560,140	754,697,872
Other non-current liabilities . . . . .	157,182,000	157,182,000	157,182,000
Total non-current liabilities . . . . .	59,712,640,800	106,723,847,725	137,743,942,710
Net assets . . . . .	48,531,535,435	71,815,132,994	78,986,864,253
Equity:			
Share capital . . . . .	4,368,667,868	4,827,256,868	4,827,256,868
Other equity instruments . . . . .	1,000,000,000	5,000,000,000	8,500,000,000
Reserves . . . . .	31,144,523,534	44,008,757,978	43,989,963,956
Retained profits . . . . .	11,780,607,940	17,798,924,176	21,480,550,175
Total equity attributable to shareholders of the Company . . . . .	48,293,799,342	71,634,939,022	78,797,770,999
Non-controlling interests . . . . .	237,736,093	180,193,972	189,093,254
Total equity . . . . .	48,531,535,435	71,815,132,994	78,986,864,253

## SELECTED FINANCIAL INFORMATION OF THE HONG KONG GROUP

*The summary audited financial information of the Hong Kong Group as at and for the years ended December 31, 2019 and 2020 has been extracted from the audited consolidated financial statements of the Hong Kong Group as at and for the year ended December 31, 2020, which are included elsewhere in this Offering Circular and have been audited by Deloitte, the independent auditor of the Hong Kong Group. Such financial statements of the Hong Kong Group were prepared and presented in accordance with HKFRS and have been properly prepared in compliance with the Companies Ordinance.*

*The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Hong Kong Group and the notes thereto included elsewhere in this Offering Circular. Historical results of the Hong Kong Group are not necessarily indicative of results that may be achieved for any future period.*

### I Consolidated Statement of Comprehensive Income

	For the year ended December 31,	
	2019	2020
	(Audited) (HKD)	(Audited) (HKD)
Revenue:		
Fee and commission income . . . . .	2,419,263,928	3,342,845,643
Interest income . . . . .	499,562,356	478,369,882
Investment income . . . . .	3,009,145,558	3,565,795,151
Total revenue . . . . .	5,927,971,842	7,387,010,676
Other income and (losses)/gains, net . . . . .	(58,691,700)	(153,100,990)
Staff costs . . . . .	(1,435,945,489)	(1,910,560,277)
Net charge of impairment loss . . . . .	(18,851,529)	(284,460,620)
Depreciation . . . . .	(143,793,218)	(182,813,315)
Other operating expenses . . . . .	(720,832,719)	(784,252,824)
Profit from operations . . . . .	3,549,857,187	4,071,822,650
Finance costs . . . . .	(1,263,307,308)	(1,116,647,971)
Share of results of joint ventures . . . . .	9,189,809	(19,479,677)
Share of results of associates . . . . .	(841,720)	623,482
Profit before taxation . . . . .	2,294,897,968	2,936,318,484
Income tax expense . . . . .	(357,481,161)	(484,530,378)
Profit for the year . . . . .	1,937,416,807	2,451,788,106
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries . . . . .	(12,453,445)	2,890,948
Financial assets at fair value through other comprehensive income: net movement in revaluation reserve . . . . .	140,903,292	(20,911,615)
	128,449,847	(18,020,667)
Total comprehensive income for the year . . . . .	2,065,866,654	2,433,767,439

## II Consolidated Statement of Financial Position

	As at December 31,	
	2019	2020
	(Audited)	(Audited)
	(HKD)	(HKD)
Non-current assets:		
Property, plant and equipment . . . . .	123,360,588	126,707,209
Right-of-use assets . . . . .	448,966,208	364,865,581
Financial assets at fair value through profit or loss . . . . .	1,936,549,523	2,023,874,856
Other non-current assets . . . . .	1,010,420,995	1,969,692,344
Deferred tax assets . . . . .	23,223,476	70,404,542
Interests in associates . . . . .	904,679	1,643,578
Interests in joint ventures . . . . .	300,363,629	279,666,251
	<u>3,843,789,098</u>	<u>4,836,854,361</u>
Current assets:		
Financial assets at fair value through profit or loss . . . . .	73,207,246,233	106,745,748,972
Financial assets at fair value through other comprehensive income . . . . .	5,309,368,847	4,443,040,985
Financial assets held under resale agreements (“reverse REPOs”) . . . . .	721,485,942	398,126,359
Derivatives . . . . .	3,183,019,925	8,053,180,948
Accounts receivable . . . . .	14,340,469,357	37,454,288,241
Other receivables, deposits and prepayments . . . . .	2,332,169,464	1,319,349,311
Amounts due from the ultimate holding company . . . . .	146,193,000	73,332,123
Amounts due from fellow subsidiaries . . . . .	16,059	46,267
Amount due from joint ventures . . . . .	2,288,515	–
Tax recoverable . . . . .	3,959,469	150,642
Fixed deposits with original maturity over three months . . . . .	99,566,295	21,703,193
Cash and cash equivalents . . . . .	<u>3,561,563,951</u>	<u>17,133,510,192</u>
	<u>102,907,347,057</u>	<u>175,642,477,233</u>
Current liabilities:		
Accounts payable . . . . .	19,473,004,208	47,536,885,420
Financial liabilities at fair value through profit or loss . . . . .	26,704,991,145	44,291,262,172
Financial assets sold under repurchase agreements (“REPOs”) . . . . .	11,412,188,318	3,674,901,549
Derivatives . . . . .	4,919,278,313	22,894,649,609
Lease liabilities . . . . .	130,136,997	149,344,083
Other creditors and accruals . . . . .	2,323,681,881	3,626,623,067
Amount due to the ultimate holding company . . . . .	8,752,697	400,559,524
Amounts due to fellow subsidiaries . . . . .	5,849,111	761,143
Bank loans and overdrafts . . . . .	8,420,666,157	8,742,701,014
Tax payable . . . . .	436,611,950	172,563,576
Short-term notes issued . . . . .	7,347,539,487	7,945,831,984
Long-term notes issued . . . . .	–	7,747,694,226
	<u>81,182,700,264</u>	<u>147,183,777,367</u>
Net current assets . . . . .	<u>21,724,646,793</u>	<u>28,458,699,866</u>
Total assets less current liabilities . . . . .	<u>25,568,435,891</u>	<u>33,295,554,227</u>
Non-current liabilities:		
Long-term notes issued . . . . .	15,534,476,708	19,331,034,598
Lease liabilities . . . . .	349,245,770	252,213,698
Other non-current liabilities . . . . .	1,298,306	–
Deferred tax liabilities . . . . .	10,989,068	6,112,453
	<u>15,896,009,852</u>	<u>19,589,360,749</u>
Net assets . . . . .	<u>9,672,426,039</u>	<u>13,706,193,478</u>
Equity:		
Share capital . . . . .	2,300,000,000	3,900,000,000
Reserves . . . . .	<u>7,372,426,039</u>	<u>9,806,193,478</u>
Total equity . . . . .	<u>9,672,426,039</u>	<u>13,706,193,478</u>

## RISK FACTORS

*An investment in the Notes is subject to significant risks. Prospective investors should carefully consider all of the information contained in this Offering Circular, including the risks and uncertainties described below, before making an investment in the Notes. The following describes some of the risks which could materially and adversely affect the business, financial condition and results of operations of the Group and the Hong Kong Group. Each of the Group and the Hong Kong Group believes that the following risks may affect the Group's and/or the Hong Kong Group's ability to fulfil its obligations under the Notes, the Guarantee and/or the Keepwell Deed. The risks and investment considerations as set forth below do not form an exhaustive list of the challenges which the Group and the Hong Kong Group currently face or may develop in the future. Additional risks not presently known to the Group or the Hong Kong Group or which they currently deem immaterial may also have an adverse effect on an investment in the Notes. The market price of the Notes could decline due to any of these risks, and investors may lose all or part of their investment. Prospective investors should pay particular attention to the fact that CICC is a company incorporated in the PRC and most of its operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Environment".*

### **Risks Relating to the Group's Business and Industry**

***Changes in the general economic and market conditions in China and other jurisdictions where the Group operates could materially and adversely affect the Group's business, financial condition, results of operations and prospects.***

The Group's business has in the past been, and may in the future be, materially affected by general economic conditions in China and other jurisdictions where the Group operates its businesses, such as macroeconomic, monetary policies, upward and downward trends in the financial market, levels of inflation, availability of credit, fluctuations in interest rates and currencies. The Group's businesses are also directly affected by the risks inherent in the securities markets, such as market volatility, investment sentiment, fluctuations in securities trading volumes, supply of liquidity and perceived creditworthiness of the securities industry in the marketplace. In addition, the global financial market conditions may adversely affect financial market conditions in China. Any sudden and dramatic changes in global and China's financial market conditions could materially and adversely affect the Group's business, results of operations, financial condition and prospects.

In recent years, the PRC A Share market has shrunk significantly due to severe secondary market volatility. The SSE Composite Index initially surged from the second half of 2014 to early June 2015. During this period, the corporate financing activities in the PRC capital markets significantly increased and the stock trading turnover in the domestic stock market also increased due to the favourable market conditions. However, the domestic A Share market has experienced a sharp decline and increased volatility since June 13, 2015. The PRC Government took monetary and regulatory measures to stabilize the market, which may affect market liquidity, new offering pipeline, and the trading activities of certain market participants, but there is no assurance that such measures implemented may be effective. In addition, from mid-August 2015, the global equity markets, including the United States, Europe and Hong Kong, and the exchange rate of Renminbi against the U.S. dollar also experienced increased volatility. In 2016, despite fluctuations in the beginning of the 2016, the A-share market was range bound and fluctuated within a narrow range at a relatively low level. Neither the asset prices nor the trading level have shown extreme fluctuation in 2016. The Hong Kong stock market swung more sharply in 2016 as a result of growing global economic uncertainties. Both overall return on stock investment and the average daily turnover in the Hong Kong stock market declined in 2016. In 2017, as the Chinese economy recovered steadily, the domestic stock market enjoyed moderate rallies despite several corrections over the year. The Hong Kong stock market significantly outperformed with strong rallies in 2017, driven by favourable factors including strong capital inflow from global and Chinese investors as well as stronger-than-expected corporate earnings, major stock indices saw substantial

growth. In the first half of 2018, the A-share market volatility increased and investors' risk appetites reduced on deepened leveraging and escalated trade friction. The Hong Kong stock market continued its upward trend from the end of 2017 to the beginning of 2018. However, since February 2018, the Hong Kong stock market headed down, following multiple interest hikes by the U.S. Federal Reserve, currency depreciations of emerging markets, escalated China-U.S. trade friction and the outbreak of novel coronavirus (“**COVID-19**”) since late 2019. COVID-19 affects the global economic outlook and enterprise operations. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. The on-going COVID-19 outbreak on a global scale has resulted in increased travel restrictions, extended shutdown of some businesses, unfavourable and uncertain market conditions, and economic slowdown in many countries around the world, which may result in adverse impact on the Group's businesses. In the first half of 2020, COVID-19 and the corresponding easing monetary policies adopted by governments led to sharp drops in yields and panic sentiment in the market, which witnessed overall declines in major stock market indices and intensified market volatilities, as well as a decrease in the overseas debt capital raising amount of PRC-based companies. In this context, the Group's profit for the year/period continued to increase. For the year ended December 31, 2020, the Group's profit for the year was RMB7,262.1 million, as compared with RMB4,247.8 million for the year ended December 31, 2019. For the six months ended June 30, 2021, the Group's profit for the period was RMB5,015.9 million, as compared with RMB3,078.8 million for the six months ended June 30, 2020. Market volatility, especially in the PRC and Hong Kong equity markets, are expected to materially and negatively impact the Group's business, results of operations, financial conditions and prospects. There remain uncertainties with respect to the markets' future movements. The Group's revenue and profit in the future may be adversely impacted as a result of negative market conditions.

Downturns in general economic conditions and adverse market conditions could materially and adversely affect the Group's business, results of operations, financial condition and prospects in various ways, including but not limited to the following:

- the demand of the Group's clients for the Group's services could decrease, resulting in a decline in the Group's revenues from the Group's business lines;
- the value and returns on financial assets the Group holds for securities trading and investment and the value of investment portfolio for the Group's asset management products may be adversely affected by volatility in the markets;
- the Group may face increased default risks that a client or counterparty may fail to perform its contractual obligations;
- the Group's financing costs may increase due to the limited access to liquidity and the capital markets, and therefore restricting the Group's ability to raise funding to develop the Group's business; and
- the Group may not be able to effectively execute the Group's business plans and strategies.

Furthermore, as the Group's businesses are directly affected by changes in the general economic and market conditions in China and other jurisdictions where the Group operates, the Group's historical results and the profit growth rate in any particular period are not necessarily indicative of the Group's results and profit growth rate to be expected for any future period.

***The Group is subject to extensive and evolving regulatory requirements in China and other jurisdictions where the Group operates. New legislation or changes in regulatory requirements may affect the Group's business operations and prospects.***

As a participant in the financial industry, the Group is subject to extensive regulation and must comply with regulatory requirements published by regulatory authorities from time to time in jurisdictions where the Group operates in various aspects, including capital requirements, business licenses, the types of services and products that the Group can offer and securities that the Group can invest and trade in.

The Group conducts its businesses mainly in China and the Group operates its businesses in accordance with the existing securities regulatory requirements in China. As the PRC securities industry is still evolving, relevant laws, rules and regulations could change from time to time. New laws, rules and regulations, as well as changes in interpretation or enforcement of existing laws, rules and regulations may materially impact the Group's business operations and prospects. In addition, new products and businesses typically require further development and improvement of regulatory framework. For example, major reforms in the PRC securities market such as the introduction of the STAR Market and the piloting of the registration system, have exerted heightened expectations on the underwriting capabilities of securities companies, whereas regulations around the development of Fintech has induced the market participation of Internet-based service providers. There are uncertainties regarding the adoption of new laws, rules and regulations as well as enforcement of existing laws, rules and regulations by the regulatory authorities in relation to new products and businesses.

The Group is also subject to extensive laws, rules and regulations and faces the risk of significant intervention by regulatory authorities in other jurisdictions where the Group operates its businesses. New laws or regulations or changes in enforcement of existing laws, rules or regulations applicable to the Group's existing and new businesses may cause it (i) to become subject to revised and expanded regulation and supervision, (ii) to change its business practices, and (iii) to incur significant compliance costs, which may have a material adverse effect on its business, results of operations, financial condition and prospects.

***The Group faces intense competition across the Group's business lines.***

The Group operates in intensely competitive markets, in particular in the securities markets of China and Hong Kong. The Group competes on the basis of various factors, including but not limited to, transaction execution capability, capital and access to capital, products and services, pricing, risk management, reputation and professional talent. If the Group fails to compete effectively against its competitors, this will have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group principally competes with other securities firms, fund management companies and private equity firms in China. Some of the Group's competitors may have certain competitive advantages over the Group, including a broader range of products and services, greater financial resources, a larger and more diverse client base, a wider branch network, stronger brand recognition and more advanced information technology ("IT") systems. The Group may also face increasing competition in overseas financial markets where it operates.

In addition, the Group faces increasing competition from commercial banks, insurance companies, trust companies, Internet-based financial service providers and other companies offering financial or ancillary services. The gradual relaxation of PRC securities regulation and the tendency towards mixed operations in the PRC may cause new competitors, such as commercial banks, to enter into the Group's industry or allow its current competitors to expand the scope of their businesses. According to a statement released by the CSRC on March 18, 2016, the CSRC approved the establishment of the first joint venture multi-licensed securities firm in accordance with the Supplement X to the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). In addition, the CSRC has also received other applications for the establishment of joint venture securities firms under the CEPA. Furthermore,



starting from April 1, 2020, the CSRC removed the maximum foreign investment percentage restrictions in securities companies in the PRC, as a result of which foreign financial institutions with competitive advantages in cross-border and other complex transactions are expected to accelerate their expansion into the PRC securities industry through establishing securities companies controlled by them, further intensifying the competition within the industry.

The Group has experienced intense price competition in some of its businesses in recent years. For example, the increasingly intense industry competition and the increased use by clients of low-cost electronic trading systems have resulted in downward pressure on the Group's securities brokerage commission rates. In addition, the ability to execute trades electronically, through the Internet and through other alternative trading systems, has increased the pressure on trading commissions and spreads. The Group expects the rapid development of Internet finance and the trend toward alternative trading systems in China to intensify the competition in the securities industry, which may affect its client base and result in increased pricing pressure for the Group. In addition, equity and debt underwriting discounts, as well as asset management fee rates, have been under pressure. The Group believes that it may continue to experience competitive pressures in the future if its competitors seek to obtain market share by further lowering prices.

***The Group's investment banking business is subject to various risks associated with underwriting of securities offering and financial advisory services.***

The Group's investment banking business is and may in the future continue to be affected by the general economic and market conditions. For instance, poor economic conditions may lead to the fluctuations in the performance of the Group's investment banking customers and affect investor confidence, which in turn may result in significant industry-wide declines in the size and number of securities offerings and mergers and acquisitions ("M&A"). Adverse market conditions and capital market volatility may also cause delays to, or the termination of, securities offerings underwritten or sponsored by the Group and M&A advised by the Group. These factors may have a material adverse effect on the revenue generated from, and profit margin of, the Group's investment banking business.

When acting as sponsor and/or underwriter in securities offerings and listings or as financial advisor for M&A, the Group and its employees may be subject to administrative penalties, regulatory actions, self-disciplinary orders or other legal liabilities for conducting inadequate due diligence or providing insufficient compliance supervision in connection with a securities offering or M&A, which may have a material adverse effect on the Group's reputation and in turn affect the Group's business operations, financial conditions and results of operations. Besides, the Group may also be exposed to litigation and reputational risks as a result of losses to investors caused by default or other illegal or improper activities by parties involved in the transactions which the Group sponsors or advises.

The Group is also exposed to uncertainties and changes in regulatory environment for securities offerings that the Group sponsors or underwrites and M&A that the Group advises on. In recent years, major reform measures such as the introduction of the STAR Market and the piloting of the registration system, have exerted heightened requirements on the pricing of securities and the underwriting capabilities of securities companies. For example, when acting as sponsors for listings on the STAR Market, the Group is required to use its own funds to purchase and hold a certain portion of securities for a required period of time after initial issuance of the securities, which exposes the Group to the risks of not only losing business opportunities due to insufficient proprietary funds, but also unideal investment returns due to the general market conditions or the relevant issuers' unsatisfactory business performances.

In the meantime, the interest rate marketisation and rising bond credit risks are imposing more challenges on bond issuance and underwriting. In the course of its underwriting activities, the Group may face situations such as unreasonable pricing, terms and conditions failing to meet investor needs,



misalignment of market judgment and improper choice of issuance window, all of which may lead to the Group being faced with the risks associated with issuance failure or being forced to take up a more significant portion of underwriting commitments.

In addition, the Group is also subject to the risk of advance payments when acting as sponsors for domestic IPOs. In the case that the listing documents produced by the relevant issuers contain mistakes, misleading statements or material omissions, the sponsors are required by relevant rules and regulations to advance their own funds to indemnify the investors against their losses incurred therefrom, which may also in turn have a material adverse effect on the Group's business operations, financial condition and results of operations.

***The Group's brokerage business is subject to the risks of movements in the Group's clients' trading activities, fluctuations in its brokerage commission rates and its ability to maintain or expand its client base.***

The Group's brokerage commission income significantly depends on the turnover and volume of trading that the Group executes for its clients. Trading turnover and trading volume are subject to various external factors which are beyond the Group's control, including but not limited to general economic and financial market conditions, fiscal and monetary policies, volatility of stock prices, fluctuations in interest rates, as well as investor behaviour. Besides, the increasing competition in the PRC securities industry has led to a decrease in brokerage commission rates in the industry as a whole and for the Group, which may adversely affect the Group's brokerage business. There is no assurance the Group's brokerage commission income can be sustained at current levels.

The brokerage business of the Group serves a substantial number of institutional and wealth management customers. For example, as at June 30, 2021, the Group's wealth management business had 4.11 million customers, representing a growth of 11% compared with December 31, 2020. The scale of the Group's client base imposes heightened requirements on the Group's IT systems, ability to execute complex transactions, capabilities to conduct cross-border businesses, scale of capital, as well as risk management. Whether the Group can retain and attract clients is also dependent on its ability to compete with other market participants, including commercial banks, third-party wealth management service providers and foreign-invested entities, or alternative investment products available in the market. In addition, the increasing popularity of Internet-based products has led to the ascending trend in the PRC of providing retail brokerage services through online channels, and the Group is faced with competitions from emerging securities companies mainly based on online trading platforms. In addition, starting from 1 April 2020, the CSRC removed the maximum foreign investment percentage restrictions in securities companies in the PRC, as a result of which foreign financial institutions with competitive advantages in cross-border and other complex transactions are expected to accelerate their expansion into the PRC securities industry through establishing securities companies controlled by them, further intensifying the competition within the industry. If the Group is unable to address the needs of its clients by maintaining high-quality client services, continuing product innovation, providing value-added services and differentiating itself from its competitors, it may lose its existing clients to its competitors or fail to attract new clients. As a result, the Group's business, financial condition and results of operations could be adversely affected.

***The Group's principal investment businesses are subject to risks relating to market fluctuations and volatility, and inherent risks of the products in which the Group invests and impose heightened requirements on the Group's balance sheet management.***

In carrying out its principal investment businesses, the Group maintains various trading and investment positions in the fixed income, currency, commodity and equity markets. In addition, the Group also holds equity investment assets under the special account for derivative hedging transactions as a part of its derivatives hedging transactions. The fluctuations in the securities market are influenced by factors such as national and international political and economic conditions, international securities market

volatility, as well as investor sentiment and expectations. The PRC securities market, as an emerging market that is not as mature as those in developed countries, is more vulnerable to greater market movements. As a result of the limited availability of investment options and hedging strategies in the PRC securities market, the Group's ability to effectively hedge its exposure to the risks associated with its investments may be adversely affected. Meanwhile, the hedging instruments or strategies might not be fully effective in mitigating risk under all market conditions or against all types of risks. If any of the hedging instruments or strategies the Group utilises to hedge its exposures to different risks are not effective, the Group may suffer losses.

In addition, as the Group invests in a variety of products, the Group is subject to inherent risks of its product portfolio. For instance, investments in debt securities may be affected by factors such as a reduction in the relevant issuers' credit rating, default by parties and interest rate fluctuations, whereas equity investment may be affected by unsatisfactory business operations, non-compliance incidents and general industry trends of the listed companies. Besides, the values of certain classes of the Group's assets, such as its financial assets at fair value through other comprehensive income, are marked to market. The Group performs impairment assessment under expected credit loss model and recognises loss allowances on the financial assets at fair value through other comprehensive income. This evaluation is a matter of judgment and subjective assessment of various external factors which involve significant uncertainties and are beyond the Group's control. If the Group recognises impairment losses, the Group's results of operations would be adversely affected. Due to the uncertainties of the securities market, the Group's trading and investment decisions may lead to gains or losses, and the returns are uncertain even with its best efforts and judgments. The Group's business, financial condition and results of operations may be adversely affected should there be misjudgment of the economic and financial conditions or incorrect selection of investment products or timing of transactions.

In addition, the Group's FICC, prime brokerage, OTC derivatives, cross-border and offshore institutional finance services feature international composition, broad coverage, varied products, diversified client base and complex product structure and have higher requirements on the Group's risk management, in particular its abilities to properly manage its balance sheet. Such businesses are also more sensitive to financial market conditions and market cycles. In terms of the Group's credit business, the Group may not always be able to maintain a healthy guarantee or security coverage ratio. Should there be incidences of failure to obtain additional collateral or failure to pay interest on time, the Group's credit business customers may be unable to perform their contractual obligations, which may in turn result in financial loss to the Group. In the event that such customers' credit accounts are subject to judicial enforcement, the Group may not be able to recover its claims in a timely manner or at all. The growing of the aforementioned businesses of the Group also depends on the Group's capability to continuously meet the related capital requirements. In the case the Group is unable to raise funds in a timely manner, it may face liquidity risks, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's asset management and fund management businesses are subject to risks associated with intensified market conditions and poor investment performance of the Group's investment products.***

Asset management and fund management businesses are one of the sectors with a broad range of financial institution participants. In addition to securities companies and fund companies, the Group also faces competition from commercial banks, insurance companies, trust companies, private equity funds, Internet-based service providers and foreign-invested financial institutions. Its asset management business with international advanced experience will bring further competitive pressure to the industry. If the Group fails to maintain its own advantages in terms of return on investment, customer service, market expansion and product innovation, and if the Group is not able to continue to meet the ever-increasing requirements of its customers, the performance of the Group's asset management and fund management businesses may be adversely affected.

The performance of the Group's asset management and fund management businesses is also highly correlated with many factors such as macroeconomic performance, industry trends and investment decision-making. Any weakening of macroeconomic conditions, downturn in industry development, or mistake in investment decisions could adversely affect the performance of the underlying assets of the Group's asset management and fund management businesses, and in turn lead to the loss of customers and the decline of return from such businesses.

The Group's asset management and fund management businesses are also subject to investment risks. Any default by the investees of the Group's asset management and fund management products may lead to the decrease in value of such products as well as risks of redemption requested by investors, which in turn may result in a decrease in the size of the Group's AUM. This could also adversely affect the management and performance fees that the Group earns on AUM.

***The Group's private equity investment business is subject to various risks associated with investments.***

The establishment of the private equity investment business is subject to compliance with relevant rules and regulations and contractual obligations, and are affected by factors such as market conditions, industrial competition, investor sentiment and historical performance of the funds. If the fundraising of the Group's private equity investment business cannot achieve an expected scale, there may be an adverse effect on the Group's business operation and financial performance.

The decision on private equity investments is generally made based on the anticipation of the management, technical potential, operational capability and prospect of the target company. Before making investments in private equity investments, the Group conducts due diligence investigation that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. However, the due diligence investigation that the Group carries out with respect to any investment opportunity may not identify instances of fraud, accounting irregularities and other improper, illegal or deceptive practices of a target company. In addition, significant changes of the macroeconomic conditions and trends in the industrial and technological development may have a material adverse effect on the business of the target company, which may not necessarily result in the expected investment returns.

The ability of the Group's private equity funds to realise their investments may depend upon the Group's portfolio companies' ability to complete an IPO or M&A, which depends upon the economic situations, industrial development, securities market conditions and regulatory environment, which are beyond the Group's control. If the Group's private equity funds could not realise their investment successfully, there may be an adverse effect on the investment returns of the Group's private equity funds.

***The Group faces additional risks as it expands its product and service offerings.***

The Group has expanded its products and services in recent years to include, among others, margin financing and securities lending, stock-based lending, total return swaps, online financial services, recommendation and market making on the NEEQ, mutual fund and private equity fund management. The Group will continue to expand its product and service offerings as permitted by relevant regulatory authorities. New businesses may expose the Group to additional and potential challenging risks, including, but not limited to:

- the Group may be unable to obtain sufficient financing to support its business expansion;
- the Group may be unable to make correct judgment on market conditions for its new business, identify or adequately evaluate the risks of the Group's new business or enhance its risk management capabilities on a timely basis;

- the Group may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients, and the Group's new products and services may fail to meet its profitability expectations or not be accepted by its clients;
- the Group may be unable to keep up with technology development trends;
- the Group may be subject to greater regulatory scrutiny and increased credit risks, market risks and operational risks;
- the Group may have legal disputes with clients due to deficiencies in its new products and its failure to identify the risks associated with new products and match with clients' risk tolerance, which could harm the Group's reputation; and
- the Group may fail to recruit or retain competent personnel to support the new products and services.

If the Group is unable to achieve the intended results with respect to the Group's new products and services, the Group's reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

***Any significant disruption in the Group's offshore operations and failure to manage the risks associated with overseas expansion could have a material adverse effect on its overseas business.***

The Group conducts its overseas business through the Group's offices in Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo. In 2019 and 2020 and in the first half of 2020 and 2021, revenue and other income from the Group's overseas business accounted for 23.0%, 19.9%, 15.5%, and 22.8% of the Group's total revenue and other income, respectively. Any significant disruption in the Group's offshore operations could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group plans to continue to expand its overseas business and explore opportunities in other overseas markets. The Group intends to continue to enter into markets where it has limited or no operating experience. As a result, the Group may not be able to attract a sufficient number of new clients due to its limited presence and brand recognition in such overseas markets and may fail to compete effectively in these markets. In addition, such expansion may increasingly subject the Group to risks inherent in conducting business internationally, including but not limited to:

- the Group may be unable to obtain sufficient financing to support its overseas expansion;
- local political instability, civil unrest or terrorism in such regions;
- economic uncertainties and recessions in such regions;
- failure to comply with laws and regulations, approval or license requirements, as well as industry or technical standards of the overseas markets into which the Group expands;
- challenges in administering and providing support to offshore operations;
- differences in cultural, commercial and operating environments and corporate governance; and
- failure to recruit and retain competent personnel.

In particular, despite the Group's efforts to comply with all applicable regulations in jurisdictions where it operates, the Group may fail to do so as a result of the differences in domestic and overseas regulatory environment and interpretations of regulatory requirements and intentions. Overseas

regulators may bring administrative or judicial proceedings against the Group or its employees, representatives, agents and third-party service providers. If the Group is unable to manage the risks resulting from its expansion outside China, its business, reputation, financial condition and results of operations may be adversely affected.

***The Group's risk management and internal control systems, as well as the risk management tools available to it, may not fully protect the Group against various risks inherent in its business.***

The Group has established risk management and internal control systems consisting of relevant organizational frameworks, policies, procedures and risk management methods in order to manage its risk exposure, primarily including market risk, credit risk, liquidity risk, operational risk, IT risk, compliance risk, legal risk, money laundering risk and reputational risk, etc. The Group seeks to continue to improve such risk management and internal control systems from time to time. However, the Group's risk management and internal control systems may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated.

The Group's risk management capabilities are limited by the information, tools or technologies available to it. For example, some of the Group's risk management methods are based upon its use of historical market data and management's judgment. As a result, these methods may not predict future risk exposure, which could be significantly greater than the exposure that historical measures indicate. If the Group fails to promptly adapt and improve its risk management and internal control systems in response to the development of its business and products, the expansion of its branch network and the changes to regulatory requirements, its business operations could be materially and adversely affected.

Effective implementation of the Group's risk management and internal controls policies and procedures also depends on its employees. The Group cannot provide any assurance that its employees will be able to consistently comply with or correctly apply these policies and procedures.

***The Group's operations depend on key management and professional staff and its business may suffer if the Group is unable to recruit or retain them.***

The success of the Group's business depends on, to a large extent, its ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the securities and financial markets. Competition for talented professionals in the financial services industry is intense, and the availability of suitable and qualified candidates is limited. Intense competition may require the Group to offer high compensation and other benefits in order to attract and retain talented professionals. The Group devotes considerable resources to recruiting and retaining its key management and professional staff. However, the Group cannot provide any assurance that it will be successful in retaining its current personnel or in hiring or retaining qualified personnel in the future.

Loss of key employees or the inability to hire or retain professional staff in the future could have an adverse effect on the Group's ability to operate successfully. Any inability on the Group's part to enforce non-compete arrangements related to senior management and key employees who have left the Group could have an adverse effect on its business. If any of the Group's former senior management or other key employees joins or establishes a competing business, the Group may lose some of its clients, which could have an adverse effect on its business.

***The Group is subject to the risks arising from any failure of, or inadequacies in, its operational systems and infrastructure.***

The Group's operations rely heavily on its ability to process and monitor, on a daily basis, a very large number of transactions. The volume, speed, frequency and complexity of transactions are increasing, which is especially the case for electronic transactions and the requirements to report transactions on a real-time basis to clients, regulators and exchanges. As a result, developing and maintaining the Group's

operational systems and infrastructure becomes more challenging. The inability of the Group's systems to accommodate an increasing volume of transactions could also constrain its ability to expand its business. The Group must continually update its operating systems to support its operations and growth and to respond to changes in regulations and markets.

The proper functioning of the Group's securities trading, financial control, risk management, accounting, client service and other data processing systems, together with the communication networks between its headquarters, subsidiaries and branches and its communication networks with exchanges, clearing agents and depositaries, are critical to its business. The Group's operating systems and facilities could fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control. The Group has established disaster recovery centres in Beijing and Hong Kong and other contingency plans in Shanghai and Shenzhen to carry on principal functions in the event of a catastrophe or failure of its systems, including those caused by human error. However, the Group cannot assure that its disaster recovery centres or other contingency plans will fully protect it from all potential business disruptions. A prolonged disruption to or failure of the Group's information processing or communications systems would limit its ability to process transactions. This would impair the Group's ability to execute trades on behalf of clients or for its own account.

If the IT products and services developed by third-party developers, contractors and vendors the Group uses are defective, it may experience system failures, incompatibility of software or platforms, and problems with synchronization, data transfer and data management across its various IT systems and platforms, which may cause disruption, breakdown or slowdown of its systems.

The Group's operations depend on the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks and it is vulnerable to unauthorized access, computer viruses, malicious programs and other events that could cause security breaches.

Occurrence of any such events could jeopardize the security and integrity of confidential information processed by, stored in, and transmitted through the Group's computer systems and networks, or otherwise disrupt its operations, which could result in reputational damage, litigation and financial losses.

***Significant interest rate fluctuations could affect the Group's financial condition and results of operations.***

The Group's exposure to interest rate risk is primarily associated with its interest income, interest expenses and fixed-income securities. The Group earns interest income primarily from deposits with banks and non-bank financial institutions, margin financing and securities lending, financial assets held under resale agreements and fixed-income securities. The Group makes interest payments primarily on deposits that it holds on behalf of its clients, its borrowings and debt securities as well as financial assets sold under repurchase agreements. The Group's interest income and interest expenses are directly linked to the prevailing market interest rates. If market interest rates decrease, the Group's interest income would generally decrease, and during periods of rising interest rates, the Group's interest expenses and financing costs would generally increase. In addition, during periods of rising interest rates, market prices of and the Group's investment returns on fixed-income securities it holds will generally decrease. Significant interest rate fluctuations could affect its interest income or returns on fixed-income investments, or increase the Group's interest expenses, any of which could adversely affect its business, financial condition, results of operations and prospects.

The Group engages in derivatives transactions, including interest rate swaps and treasury futures, to hedge the interest rate exposure that arises from its asset and liability positions. However, the Group's ability to hedge the interest rate risks associated with its businesses in China is constrained by the limited availability of derivative products. In addition, the Group may not be able to successfully use available derivative instruments to reduce its exposure to fluctuations in interest rates.



***The Group may suffer significant losses from its credit exposures.***

The Group's businesses are subject to risks that clients or counterparties may fail to perform their contractual obligations or that the value of collateral held to secure their obligations might be inadequate. The Group's credit exposure results mainly from its margin financing and securities lending, futures brokerage as well as its role as counterparty in repurchase agreements and derivative contracts. Any material non-payment or non-performance by a client or counterparty could adversely affect its business, financial condition, results of operations and prospects.

With respect to the margin financing and securities lending business, the Group may enforce liquidation against clients who are unable to settle their obligations as scheduled or fail to replenish the collateral in full within the agreed-upon period. In respect of the futures brokerage business, the Group requires its clients to maintain a certain amount of account balance for their futures trading. The Group conducts automatic valuations for clients' account balance on each trading day, and, in the event of insufficient account balance, the Group requires clients to replenish their account balance or liquidate the clients' positions. Such mandatory liquidation mechanisms may trigger disputes between clients and the Group, which may subject the Group to litigation risks or significant legal expenses. The Group also serves as counterparty to its clients in repurchase agreements, stock-based lending, total return swaps and derivative contracts to provide them with customized products or services. Since there is no exchange or clearing agent for these products, the Group will be subject to the credit risk and non-performance of the counterparty.

The debt securities the Group holds may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect the Group's financial condition and results of operations.

While the Group has internal policies and procedures to manage its credit exposure, these policies and procedures may not be fully effective and it may also fail to receive all relevant information with respect to the trading risks of its clients and counterparties. If the Group's credit exposure becomes overly concentrated in a limited set of assets or a limited number of third parties, or if the Group fails to effectively manage its credit exposure through its risk management policies and procedures, the Group may experience significant financial losses arising from such credit exposures that could materially adversely affect its business, financial condition, results of operations and prospects.

***The Group is subject to capital requirements, including the net capital requirement, which may restrict its business activities.***

The Group is subject to capital requirements that may restrict the Group's business activities. According to the CSRC's requirements, securities firms in China must maintain (i) a minimum risk coverage ratio of 100%, (ii) a minimum capital leverage ratio of 8%, (iii) a minimum liquidity coverage ratio of 100%, (iv) a minimum net stable funding ratio of 100%; (v) a minimum net capital to net assets ratio of 20%; (vi) a minimum net capital to liabilities ratio of 8%; (vii) a minimum net assets to liabilities ratio of 10%; (viii) a maximum value of equity securities and related derivatives held to net capital ratio of 100%; and (ix) a maximum value of non-equity securities and related derivatives held to net capital ratio of 500%. In addition, certain members of the Group are subject to the capital requirements in other jurisdictions where they operate. As at June 30, 2021, such entities were in compliance with all the capital requirements applicable to them.

If such entities fail to meet regulatory capital requirements in relevant jurisdictions, the local regulatory authorities may impose penalties on them or limit the scope of their respective business, which could, in turn, have a material adverse effect on their financial condition and results of operations.



***Failure to maintain adequate liquidity could adversely affect the Group's business, financial condition and results of operations.***

Maintaining adequate liquidity is crucial to the Group's business operations as it continues to expand its businesses that involve investing and providing liquidity to its clients, such as principal investment, margin financing and securities lending, total return swaps and derivatives. The Group meets its liquidity needs primarily with the Group's own capital, bank loans, debt instruments, repurchase agreement transactions and cash generated from the Group's operating activities.

Factors that may adversely affect the Group's liquidity position include, among others, a significant increase in its services and products which provide financing for its clients, large underwriting on a firm commitment basis in its investment banking business, failure to liquidate financial asset investments at reasonable prices, over-concentration of holdings in certain assets or assets classes, early redemption of the Group's products by clients, mismatch of durations of assets and liabilities, and increased regulatory capital requirements or other regulatory changes. The Group may need to seek further financing or sell assets to meet its liquidity needs. During periods of adverse credit and capital market conditions, potential sources of external financing could be limited or unavailable at all, and the Group's financing costs could increase. In addition, the Group's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, which is likely to occur in a liquidity crunch or other market crisis. Under such circumstances, the Group may have to curtail its business activities and increase its cost of funding, which could adversely affect its business, financial condition and results of operations.

***The level of the Group's indebtedness and potential unavailability of credit may materially and adversely affect the Group's business.***

The Company and its subsidiaries rely on bank and other external borrowings and bond issuances to fund a significant portion of their working capital requirements. For example, the Hong Kong Group relies on a number of on demand banking facilities, which are repayable at any time, for its working capital. The Group's financial condition, liquidity and business operations will be adversely affected to the extent it is not able to repay its debt in a timely manner because of the lack or unavailability of internal resources or inability to obtain external financing. Even if the Group is able to meet its debt service obligations, the amount of debt it borrows could adversely affect it in a number of ways, including by:

- limiting the Group's ability to obtain any necessary financing in the future for working capital, strategic investment, debt service requirements, or other purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business;
- placing the Group at a competitive disadvantage relative to its competitors who have lower levels of debt;
- increasing the Group's financing cost;
- making the Group more vulnerable to a downturn in its business or the general economic condition; and
- subjecting the Group to the risk of being forced to refinance its debts at higher interest rates.

***The Group is subject to extensive regulatory requirements, the non-compliance with which could lead to penalties or restrictions on its business activities.***

As a participant in the securities and financial services industries, the Group is subject to extensive PRC and overseas regulatory requirements, which are designed to ensure the integrity of the financial markets, the soundness of securities firms and other financial institutions and the protection of investors. These regulations often serve to limit the Group's activities by, among other things, imposing capital requirements, limiting the types of products and services that it may offer, restricting the types of securities in which it may invest and limiting the number and location of branches that it may establish. The PRC and overseas regulatory authorities conduct periodic inspections, examinations and inquiries in respect of the Group's compliance with such requirements.

Based on the assessment results of the effectiveness of internal control, risk management capabilities, status of regulatory compliance, the results of operations and market competitiveness, the CSRC assigns a regulatory rating, in five classes (A, B, C, D and E) and 11 levels, to each securities firm. The CSRC assigned the Company an "AA" regulatory rating, the highest rating given to PRC securities firms so far, for nine consecutive years from 2007 to 2015. The CSRC assigned the Company an "A" rating in 2016 and an "AA" rating for four consecutive years from 2017 to 2021. However, there is no assurance that the CSRC will not downgrade its regulatory rating in the future. If the CSRC downgrades the Company's regulatory rating, it may be subject to requirements of a higher ratio for risk capital reserve or a higher reserve ratio for the securities investor protection fund, or the Group might face difficulties in obtaining certain permits or approvals for new businesses and products, any of which may have a material adverse effect on its business, financial condition and results of operations.

Despite the Group's efforts to comply with applicable regulations, it might have risk exposures, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance or views. On occasion, the Group may fail to meet certain requirements and guidelines set by the domestic or overseas regulatory authorities. The Group or its employees have been involved in non-compliance incidents for which regulatory authorities conducted investigations into the Group and/or the relevant employee(s), issued warning letters to it or took disciplinary action against the relevant party. For instance, in July 2019, the CSRC issued a warning letter to the Company for altering the listing registration application documents of a company whose listing application was sponsored by the Company on the STAR Market by two of the Company's employees without prior consent of the Shanghai Stock Exchange. In July and September 2019, CICC Wealth Management received regulatory letters from the Shenzhen and Hubei branches of the CSRC, respectively, pointing to the weaknesses in the CICC Wealth Management and its branches' internal control and requesting more frequent compliance checks. In April 2020, the Beijing branch of the CSRC issued a warning letter to the Company for violation of 11 private equity management plans managed by the Company. All measures required from the CSRC have been implemented with respect to such incidents of non-compliance in the PRC. In Hong Kong, one former employee was found by the regulator to have failed to comply with a code provision of the Code of Conduct for Persons Licensed by or Registered with the SFC and was banned from re-entering the industry for four months. In June 2020, the SFC publicly criticized the Company and one of its subsidiaries, CICC Financial Trading Limited, for violations of disclosure requirements under the Code on Takeovers and Mergers. In October 2020, the CSRC issued a decision on taking corrective measures against the Company, ordering the Company to make corrections in relation to the insufficient internal control of its investment banking business and the insufficient risk prevention and control mechanism of its integrity practice. In December 2020, the Guangdong branch of the CSRC issued a warning letter to CICC Wealth Management for its failure to detect and verify the ordinary securities accounts opened and transactions conducted by its former employee with other securities companies between June 2016 and March 2018, as well as inadequate monitoring and warning of abnormal client mandates. In January 2021, the CSRC issued a warning letter to the Company for its failure to conduct due diligence to urge an IPO issuer to cleanse its valuation adjustment mechanism (the "VAM") and fulfil the disclosure obligations in accordance with regulatory requirements and the failure to issue special verification opinions on whether the VAM complies with relevant regulatory

requirements. In March 2021, the Shanghai Stock Exchange issued a supervisory work letter to the Company for the Company's failure to adequately and prudently verify the existence of subordinated loans in relation to an IPO project prior to initial filing, and its failure to conduct the review required for the new shareholders introduced by the capital increase before filing. In July 2021, the Company was fined RMB1.858 million by the business management department of PBOC for its failure to perform customer identification obligations and to submit large-value transaction reports or suspicious transaction reports in accordance with regulatory requirements. Meanwhile, four people involved were also subject to administrative penalties in the form of fines. The Group cannot provide any assurance that it will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines at all times. Material incidents of non-compliance may subject the Group to sanctions, fines, penalties, disqualification for the Group's existing businesses or rejection for renewal of its qualifications upon expiry, or other administrative penalties, regulatory actions and self-disciplinary actions by PRC and/or overseas regulatory authorities, which may harm the Group's reputation and materially adversely affect its business, financial condition and results of operations.

***The Group may not be able to detect and prevent fraud or other misconduct committed by its employees on a timely basis or at all.***

The Group may be exposed to fraud or other misconduct committed by its employees, including, among others, improperly using or disclosing confidential information and engaging in fraudulent or otherwise activities. Alleged or actual employee misconduct could result in investigations or prosecutions of the employees involved in the subject activities or litigation or regulatory sanctions against the Group, as well as adversely affect its reputation. The Group has, from time to time, detected certain noncompliance incidents committed by its employees. Except as disclosed in this Offering Circular, there were no other material incidents of administrative penalties or regulatory actions against the Group or the Group's employees in the jurisdictions where the Group operates as at the date of this Offering Circular.

The Group's internal control systems are designed to monitor its operations and compliance, but they may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be fully effective. The Group's failure to detect and prevent fraud and other misconduct may have a material adverse effect on the Group's reputation, financial condition and results of operations.

***The Group may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending itself against such claims or proceedings.***

The securities industry faces substantial litigation risks, including but not limited to potential liabilities relating to information disclosure, product designs and sales, breach of fiduciary duty or breach of contracts. These risks may be difficult to assess or quantify and their existence and magnitude often remain unknown for a substantial period of time. The Group may also be subject to inquiries, investigations and proceedings by regulatory and other governmental agencies.

The Group has in the past been and may in the future be subject to lawsuits and arbitration claims in the ordinary course of the Group's business. The Group may incur significant legal expenses in defending itself in litigation and arbitration proceedings. If court judgments, arbitration awards or regulatory enforcement decisions were against the Group, the Group may face substantial legal liability or significant regulatory action which could materially adversely affect the Group's business, financial condition or results of operations or cause significant reputational harm to the Group and seriously harm the Group's business prospects.

***The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.***

The Group is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the PRC and other jurisdictions where the Group operates. The anti-money laundering laws and regulations in China, Hong Kong, Singapore, the United Kingdom, the United States, Germany and Japan require the Group to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Although the Group has adopted policies and procedures aimed at detecting, and preventing being used for, money-laundering activities by criminals or terrorist-related organizations and individuals or improper activities (including but not limited to market manipulation and aiding and abetting tax evasion), such policies and procedures may not completely eliminate instances where the Group's networks may be used by other parties to engage in money laundering and other illegal or improper activities. If the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may impose fines and other penalties on the Group, which may adversely affect its business.

***The Group's business is susceptible to the operational failure of third parties.***

The Group faces the risk of operational failure, capacity constraints or termination of any of the exchanges, depositories, clearing agents or other financial intermediaries the Group uses to facilitate its securities transactions. Any operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, serve clients and manage risk exposure. Any disputes or difficulties in cooperating with these financial intermediaries could adversely affect the Group's business operations.

***A failure to appropriately identify and address conflicts of interest could adversely affect the Group's business.***

Securities firms regularly encounter conflicts of interest. It is critical for the Group to identify conflicts of interest, arising between (i) the Group's various operating units, (ii) the Group's clients and the Group, (iii) the Group's various clients, (iv) the Group's employees and the Group, or (v) the Group's clients and its employees.

The Group has extensive risk management and internal control systems that are designed to identify and address conflicts of interest. However, accurately identifying and dealing with conflicts of interest are difficult because of the broad scope and complexity of its businesses and its large client base. In addition, as the Group continually expands the Group's business and develops new products, the Group may face increasing risks in identifying and managing the conflicts of interest resulted from the Group's new businesses and products. The Group's failure to manage conflicts of interest could harm the Group's reputation and erode client confidence. In addition, perceived conflicts of interest may give rise to litigation or regulatory actions against the Group. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

***The Group may be subject to legal or regulatory liability if the Group is unable to protect the personal and other confidential information of its clients.***

The Group is required to protect the personal data and confidential information of its clients under applicable laws, rules and regulations. The relevant authorities may impose sanctions or issue orders against the Group if it fails to protect the personal information of its clients, and the Group may have to pay compensation to its clients if it fails to do so. The Group routinely transmits and receives personal, confidential and proprietary information through the Internet and other electronic means. Any misuse or mishandling of such personal, confidential or proprietary information could result in legal liabilities, regulatory actions and reputational damage to the Group.

Incidents of misusing, mishandling personal, confidential or proprietary information could negatively impact client confidence in the Group, which could materially and adversely affect its reputation and prospects.

***The use of “CICC” or “Zhong Jin” brand name by other entities may expose the Group to reputational risks.***

The Group’s brand and reputation are critical to its competitiveness and success. The Group has registered trademarks in multiple jurisdictions including but not limited to China and Hong Kong to protect its brand name. Some other entities in China use “Zhong Jin,” which has same Chinese characters as the Group’s brand name in Chinese, in their brand names. If there is unauthorized use of the Group’s “CICC” or “Zhong Jin” brand name by any entity, the reputation of its franchise, business, results of operations and financial condition may be materially and adversely affected.

***Changes in accounting standards, procedures or policies may materially affect the Group’s financial condition and results of operations.***

The accounting standards, policies and procedures governing the preparation of the Group’s financial statements as well as their application and interpretation may change from time to time. Such changes may be beyond the Group’s control, and can be difficult to predict, which, in turn, could materially impact its results of operations and financial position. In some cases, the Group may be required to apply a new or amended accounting standard retrospectively, resulting in material changes to previously reported financial results. Any changes in accounting standards, procedures or policies may materially affect the Group’s results of operations and financial position. For instance, the Group has applied, for the first time, *the Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”), including *the Amendments to International Accounting Standards (“IAS”) 1 and IAS 8, Amendments to IFRS 3 and Amendments to IFRS 9, IAS 39 and IFRS 7*, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s consolidated financial statements. The application of *the Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in 2020 has had no material effect on the Group’s financial positions and performance for the year of 2020 and prior periods and/or on the disclosures set out in these consolidated financial statements.

Historically, certain financial information of the Group and/or the Hong Kong Group may have been reclassified in the audited consolidated financial statements of the Group and of the Hong Kong Group. Reclassified figures may not be comparable to the Group’s and the Hong Kong Group’s historical financial information. Potential investors are advised to exercise caution when using such data to evaluate the financial condition and results of operations of the Group and the Hong Kong Group, and should not place undue reliance upon such data.

### **Risks Relating to the Hong Kong Group’s Business and Industry**

***The Hong Kong Group faces increasing competition in the financial services industry in Hong Kong.***

The financial services industry in Asia and Hong Kong in particular, houses a large number of participants and is highly competitive. The Hong Kong Group faces increasing competition from Chinese securities institutions with similar background, multinational financial institutions including banks and investment banks with global networks and local securities institutions in the financial services industry in Hong Kong.

The Hong Kong Group is currently engaged in the following regulated activities in Hong Kong, under the following four licensed entities:

- CICC HK Securities – Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance).
- CICC HK AM – Type 4 (advising on securities) and Type 9 (asset management).



- CICC HK Futures – Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts).
- CICC US Securities (Hong Kong) Limited – Type 1 (dealing in securities).

The Hong Kong Group also has entities qualified under Securities and Futures (Leveraged Foreign Exchange Trading – Exemption) Rules (Cap. 571E of the Laws of Hong Kong) to carry on leveraged foreign exchange trading business in Hong Kong through the following entities:

- CICC Wealth Investment Limited;
- CICC Commodity Trading Limited;
- CICC Financial Products Ltd;
- CICC Financial Trading Ltd;
- CICC HK AM; and
- CICC HK Securities.

New participants may enter the industry or engage in the same regulated activities as the Hong Kong Group, provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits.

Generally, competition in the traditional brokerage business in Hong Kong has been fierce. The Hong Kong Group expects that competition in all areas of its business operations will continue to be intense. Moreover, the Hong Kong Group may not be able to compete effectively and successfully in all the business areas in which it currently operates or plans to operate. Increased competitive pressure may adversely affect its business, financial condition and results of operations by, amongst other things, (1) reducing the Hong Kong Group's market share in its principal lines of businesses; (2) decreasing the Hong Kong Group's net interest margins and spreads; (3) decreasing the Hong Kong Group's fee and commission income; (4) increasing non-interest expenses, such as sales and marketing expenses; and (5) increasing competition for qualified employees.

The Group cannot provide any assurance that the Hong Kong Group can compete effectively against its current and future competitors. Moreover, the Hong Kong Group's business objectives may become impractical and/or impossible due to the competitive forces in the market. Under those circumstances, the Hong Kong Group's core business and financial performance would be adversely affected.

***The Hong Kong Group's businesses are highly regulated in Hong Kong.***

The Hong Kong Group's business operations are subject to various applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong. From time to time, the Hong Kong regulatory regime for the financial services industry (for example, the SFO) has implemented changes in such rules and regulations, some of which have resulted in additional costs to or restrictions on the Hong Kong Group's business activities. If the Hong Kong Group fails to comply with the applicable rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies and if the results of any investigations or enquiries are severe or proved to involve serious misconduct, the Hong Kong Group may be subject to penalties including fines and/or restrictions on its business activities. In extreme cases, it may be hampered or prevented from conducting business in a normal manner and some or all of its operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, the Hong Kong Group's reputation and financial position may be jeopardized. In such cases, there may be material and adverse impact on its business, financial condition, results of operations and prospects.

***The Hong Kong Group may not be able to meet its capital commitments and its obligations under the Notes and the Guarantee and may be subject to liquidity risk.***

Some of the Hong Kong Group's businesses involve providing liquidity and/or capital commitments to clients, such as capital-based intermediary and investment banking businesses, and may result in them potentially having significant holdings of selected asset classes. Concentration of holdings in certain assets or assets classes, or holdings in illiquid positions of these assets may adversely affect the Hong Kong Group's liquidity position. Any decline in the value of the Hong Kong Group's asset holdings may reduce its income or result in losses. Maintaining adequate liquidity is crucial to the Hong Kong Group's business operations as it continues to expand its business activities with substantial cash requirements.

A reduction in the Hong Kong Group's liquidity could reduce the confidence of its customers or counterparties on the Hong Kong Group, which may result in the loss of business and customer accounts. If the Hong Kong Group is unable to obtain financing on a timely basis or at a reasonable cost, or if there is any adverse change in its cash flows, the Hong Kong Group may not be able to meet its loan commitments, including its obligations under the Notes and the Guarantee.

***The Guarantor may be directly or indirectly affected by the Company's business, financial position and reputation.***

The Guarantor is a wholly-owned subsidiary of the Company. The Guarantor may be negatively affected by the Company's own business operations and business competitiveness. In the event that there is any negative effect on the Company or its substantial shareholders' business, financial position or reputation, the Guarantor, as the Company's wholly-owned subsidiary, may be left in a disadvantageous position. For risks relating to the Company, see “– Risks Relating to the Group's Business and Industry”.

***The Guarantor may be affected by the Financial Institutions (Resolution) Ordinance***

On July 7, 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 authorized institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may in the future include members of the Hong Kong Group (a “**FIRO Group Entity**”). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilize and secure continuity for a failing authorized institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Hong Kong Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Guarantor is unable to assess the full impact of FIRO on the financial system generally, the Guarantor's counterparties, the Guarantor, any of its consolidated subsidiaries or other Hong Kong Group entities, the Guarantor's operations and/or its financial position.

### **Risks Relating to China**

***China's economic, political and social conditions and government policies could affect the Group's business, financial condition, results of operations and prospects.***

The Group conducts its business operations primarily in China. Accordingly, the Group's business, financial condition, results of operations and prospects are significantly dependent on the economic, political and social conditions in China.



Although China's economy has been transitioning from a planned economy to a more market-oriented economy for almost four decades, a substantial portion of productive assets in China are still owned by the PRC Government. The PRC Government also exercises significant influence over the economy through allocating resources, controlling capital investment and foreign exchange, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has implemented reform measures emphasizing the utilization of market forces in economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

China has been one of the world's fastest growing economies as measured by GDP growth in the past 30 years and has become the world's second largest economy by gross GDP since 2010. However, there is no assurance that China's economy can sustain historical growth rates. The PRC's GDP growth maintained its rapid pace for years before slowing down in recent years. PRC's GDP growth was 6.7 per cent., 6.1 per cent., 2.3 per cent. and 12.7 per cent. in 2018, 2019, 2020 and the first half of 2021, respectively, registering its slowest growth rate in 2020 since 1976 due to the impact of COVID-19. If the economic growth of China continued to slow down, the Group's business, financial condition, results of operations and prospects will be materially and adversely affected.

***The PRC legal system has inherent uncertainties that could limit the legal protection available to you.***

PRC laws and regulations govern the Group's operations in China. The Group and many of its operating subsidiaries are organized under PRC laws. China's legal system is based on written statutes. While a few published prior court decisions may be cited for reference, they have limited precedential value. Since 1979, China has promulgated laws and regulations dealing with economic matters, such as corporate organization and governance, issuance and trading of securities, shareholder rights, foreign investment, commerce, taxation and trade. However, many of these laws and regulations, in particular with respect to the financial industry, are relatively new and evolving and may be inconsistently implemented, interpreted or enforced. In addition, because of the relatively limited volume of published court decisions and their non-binding nature, there are significant uncertainties relating to the interpretation and enforcement of the PRC laws and regulations. As a result, the legal remedies and protections available to you under the PRC legal system may be limited.

For example, the NDRC issued the Circular on Promoting the Reform of the Filing and Registrations System for Issuance by Foreign Debt by Enterprises on September 14, 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. There is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The Group has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

***Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group or the Group's management.***

Most of the Group's assets and many of the Group's subsidiaries are located in China. In addition, many of the Group's Directors, Supervisors and senior management reside in China. China does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other jurisdictions. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, it may be difficult or impossible for investors to serve process upon the Group or its Directors, Supervisors and senior management in China, or to enforce against the Group or such people in China, any judgments obtained from non-PRC courts.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排)(the “**Arrangement**”), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the “**New Arrangement**”), which was signed on 18 January 2019. The New Arrangement will come into effect from its commencement date, which is not yet known. Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designed as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognize and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remains uncertain.

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognized and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognize and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

***Government control of foreign currency conversion may adversely affect the Group's foreign exchange transactions.***

A majority of the Group's revenue and assets are denominated in Renminbi, which is currently not a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and the Group's foreign exchange transactions. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payment for interests and principal of foreign debt obligations of the Group.

There can be no assurance that policies regarding foreign exchange transactions under current accounts or capital accounts will continue in the future. The PRC Government may restrict future access to foreign currencies under current or capital account transactions at its discretion. Foreign exchange policies could restrict the Group's ability to obtain sufficient foreign currency, which could have an effect on the Group's ability to meet foreign exchange requirements. In addition, foreign exchange transactions under current accounts may no longer be freely convertible and could require the approval of the SAFE. Failure to obtain approval from the SAFE to convert RMB into any foreign currency for foreign exchange transactions could have an adverse effect on the Group's results of operations and financial condition. Moreover, if the Group was unable to obtain sufficient foreign currency, it might not be able to pay interest or principal of the Group's foreign debt obligations in foreign currencies. On the other hand, most of foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

***Future fluctuations in the value of Renminbi could have a material adverse effect on the Group's financial condition and results of operations.***

The Group generates a majority of its revenues in Renminbi, and a portion of its revenues, expenses, bank borrowings and debt securities are denominated in the HK dollar, the U.S. dollar and other foreign currencies. As a result, fluctuations in exchange rates, which are subject to changes resulting from the PRC Government's policies, domestic and international economic and political developments as well as supply and demand in the monetary market, particularly between Renminbi, the HK dollar or the U.S. dollar, may result in foreign currency exchange losses of the Group's foreign currency-denominated assets and liabilities and could affect its ability to pay dividends in foreign currencies and its profitability.

The exchange rate of Renminbi to the U.S. dollar is under a managed floating exchange rate system and has gradually risen over the past decade. On August 11, 2015, the PBOC announced an adjustment to the mechanism of determining the mid-point price of Renminbi to the U.S. dollar to make the exchange rate of Renminbi more market-based. The modified mechanism allows traders to consider the closing exchange rate in the previous trading day when they quote the mid-point price for Renminbi against the U.S. dollar. As a result, the mid-point price of Renminbi against the U.S. dollar depreciated by approximately 4.78 per cent. from August 10 to August 27, 2015, on which date such mid-point price was the lowest since the adjustment. The exchange rate of Renminbi to the U.S. dollar continued to be volatile in 2016. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On August 5, 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC Government may in the future announce further changes to the exchange rate system. The Group cannot predict how the Renminbi will fluctuate in the future. In addition, although the Group has entered into hedging transactions to mitigate its exposure to foreign exchange risk between Renminbi and other currencies, hedging instruments or strategies might not be fully

effective in mitigating risk under all market conditions. As a result, the fluctuation of exchange rates between Renminbi and the U.S. dollar or other currencies could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

***Any future occurrence of force majeure events, natural disasters, terrorist attacks or outbreaks of contagious diseases may have a material adverse effect on the Group's business operations, financial condition and results of operations.***

Any future occurrence of force majeure events, natural disasters, epidemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in an area where the Group operates. These areas may be affected by natural disasters, such as typhoon, tornado, snow storm, earthquake, flood, drought, power shortages or failures, or potential wars or terrorist attacks, riots, civil disturbances or strikes. In addition, these areas may be susceptible to a number of communicable diseases and epidemics, such as various types of influenza, Severe Acute Respiratory Syndrome ("SARS"), Ebola virus, and COVID-19 in the PRC and Hong Kong. Serious natural disasters may result in tremendous casualties and destruction of assets and disrupt the Group's business and operations in the short term. Severe and prolonged contagious disease outbreaks, such as COVID-19, could result in a widespread health crisis that could dampen investor sentiment, and materially and adversely affect business activities and operations in the affected regions.

Acts of war or terrorist activities, riots or disturbances may also cause casualties to the Group's employees, and disrupt its business network and operations. Any of these factors and other factors beyond the Group's control could have an adverse effect on the overall business environment of the areas where the Group operates and therefore its business and results of operations.

#### **Risks Relating to the Notes Issued Under the Programme and the Guarantee**

***The Notes and the Guarantee are unsecured obligations.***

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

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

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

***The Notes may not be a suitable investment for all investors.***

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the 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 (i) the Notes are legal investments, (ii) the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase of any Note. 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.

***Modification and waivers are binding on all Noteholders.***

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

The Conditions also provide that the Trustee may, without the consent of Noteholders, Receiptholders or Couponholders agree, to (i) any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed and the Keepwell Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to interests of the Noteholders) or (ii) any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

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

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or lodged with a sub-custodian for the CMU (each of Euroclear, Clearstream, Luxembourg 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 or Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing 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 System for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other notification by the CMU.

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

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

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

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

***The Issuer is a special purpose company with no business activities of its own and will be dependent on funds from the Group to make payments under the Notes.***

The Issuer was established by the Group specifically for the purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Guarantor and/or as the Guarantor may direct. The Issuer does not and will not have any assets other than such loan receivables and its ability to make payments under the Notes will depend on its receipt of timely payments under such loan agreements or other financing arrangements with the Guarantor and/or other such recipient of the on-lent loans. In the event that the recipients of such on-lent loans do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

***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 Issuer may be unable to redeem the Notes.***

On certain dates, including the occurrence of 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.

***If the Issuer, the Guarantor or the Company 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, the Guarantor or the Company to be accelerated.***

If the Issuer, the Guarantor or the Company 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, the Guarantor or the Company, 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, the Guarantor or the Company 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, the Guarantor or the Company, or that it would be able to find alternative financing. Even if the Issuer, the Guarantor or the Company could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer, the Guarantor or the Company.

***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 recapitalize, incur additional debt and take other actions that are not limited by the Conditions could diminish the Group's ability to make payments on the Notes when due.



***The Issuer and the Guarantor will follow the applicable corporate disclosure standards for debt securities listed on the HKSE and/or other stock exchange(s), 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 HKSE and/or other stock exchange(s). The disclosure standards imposed by the HKSE and such other stock exchange(s) 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 ratings of the Programme may be downgraded or withdrawn.***

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

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

***Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.***

Under the new EIT Law which took effect on December 29, 2018 and its implementing regulations, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes.

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

Most of its directors and senior management are currently based inside China and it may keep its books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether the Issuer has a “de facto management body” located in China for PRC tax purposes, the Issuer, the Guarantor and the Company take the position that the Issuer is not a PRC resident enterprise for tax purposes. The Issuer, the Guarantor and the Company cannot assure investors that the tax authorities will agree with their position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding

tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax.

Furthermore, if the Issuer is treated as a PRC “resident enterprise”, the gain any investor may realize from the transfer of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax (including withholding tax in the case of interest). If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer’s foreign holders who are “non-resident enterprises”, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes, as well as its profitability and cash flow. In addition, if holders are required to pay PRC income tax on the transfer of the Notes, the value of their investment in the Notes may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC “resident enterprise”, holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

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

***The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction.***

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

***Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.***

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

## **Risks Relating to the Structure of a Particular Issue of Notes under the Programme**

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

***The market price of Notes carrying optional redemption features may be more limited than that of Notes without these features.***

Notes issued under the Programme may sometimes have Issuer's optional redemption features. In a decreasing interest rate environment, the Issuer may exercise its right to redeem such Notes earlier than the final maturity date at the stated optional redemption price and an investor may face reinvestment risk as well as see the market price of the Notes converge to its redemption price as it gets closer to the optional redemption date.

***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.

***Notes carrying an interest rate linked to "benchmarks" may be exposed to any changes to the relevant "benchmark".***

Interest rates and indices, which are deemed to be "benchmarks", (including LIBOR and 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 authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-European Union based, not deemed equivalent or recognized or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (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 United Kingdom Financial Conduct Authority (“**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 30th 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 June 30, 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.

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 which, if applied, could be positive or negative, and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark.

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 Hong Kong Business Days (as defined in the Terms and Conditions of the Notes) prior to the relevant Interest Determination Date (as defined in the Terms and Conditions of the Notes), but in the event that the Issuer is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable), 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 applicability of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

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

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

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

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked 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.

#### **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, the Guarantor, the Company, the Hong Kong Group and the Group. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange, there can be no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there can be no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.



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

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

***One or more investor may subscribe for a material proportion of the aggregate principal amount of any Tranche of Notes***

In relation to a Tranche of Notes to be issued under the Programme, one or more initial investors may subscribe for a material proportion of the aggregate principal amount of such Notes. Any Noteholder of a material proportion of such Notes will be able to exercise considerable voting power on its own, and may be able to, amongst other things, convene meetings and prevent the passing of Extraordinary Resolutions (as defined in the Trust Deed) in respect of the relevant Tranche of the Notes. Additionally, the existence of any such significant Noteholder may reduce the liquidity of the relevant Tranche of the Notes in the secondary trading market. If any such Noteholder sells a material amount of the aggregate principal amount of the relevant Tranche of the Notes at any one time, it may materially and adversely affect the trading price of such relevant Tranche of the Notes.

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

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

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

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

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

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

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



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

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

#### **Risks Relating to Renminbi-Denominated Notes**

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

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

Renminbi is not completely freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction in control by the PRC Government 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 the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although starting from October 1, 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to gradually liberalize control over cross-border Renminbi remittances in the future, that any pilot scheme for Renminbi cross-border utilization will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the Issuer or the Guarantor will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC and the ability of the Issuer or the Guarantor to source Renminbi to finance their respective obligations under Notes denominated in Renminbi.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Macau, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business with a number of financial institutions in a number of financial centres and cities (the “Renminbi Clearing Banks”), and has also established Renminbi clearing and settlement mechanisms in several other countries and regions, 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 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 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 can be no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there can be no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

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

The value of the Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

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

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

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

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

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes or Global Certificates held with a common depository for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

***Remittance of proceeds into or outside of the PRC in Renminbi is restricted.***

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

There can be no assurance that the PRC Government will continue to gradually liberalize the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the some or all of the proceeds are remitted into the PRC in Renminbi and the Issuer or the Guarantor subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

### **Risks Relating to the Keepwell Deed**

*The Keepwell Deed is not a guarantee of the payment obligations under the Notes and the Guarantee and may not give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. The performance by the Company's obligation thereunder may be subject to Regulatory Approvals.*

The Company has entered into the Keepwell Deed in connection with the offering of Notes guaranteed by the Guarantor. See “Offering Structure” and “Description of the Keepwell Deed”. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Notes or the Guarantor under the Guarantee. Accordingly, the Company will only be obliged to cause the Issuer or the Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or the Guarantor to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee.

In addition, the obligations under the Keepwell Deed may not give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. As the parties to the Keepwell Deed have submitted to the exclusive jurisdiction of the Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under a Keepwell Deed and wish to enforce such a judgment in the PRC may do so pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgment in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) entered into between Hong Kong and the PRC on 14 July 2006 (the “**Arrangement**”), which is still in full force and effect as at the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the “**New Arrangement**”), which was signed on 18 January 2019. The New Arrangement will come into effect from its commencement date, which is not yet known. However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area evolves. Earlier before, the bankruptcy administrator of a PRC-incorporated company (the “**PRC Keepwell Provider**”) decided (the “**Decision**”) to reject claims submitted by the trustee under the relevant keepwell deeds provided by the PRC Keepwell Provider in support of the relevant series of bonds issued by its subsidiaries. This was the first time a bankruptcy administrator in the PRC decided on issues relating to the validity and enforceability of keepwell arrangements. As at the date of this Offering Circular, the detailed reasoning for such rejection has not been published and it is not certain what would be the outcome if proceedings are being initiated in the Hong Kong courts. The Decision has highlighted the potential difficulty for noteholders to seek recognition and enforcement of the obligations under keepwell deeds in bankruptcy procedures in the PRC. Consequently, even if the holders of the Notes or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell Deed, there can be no assurance that the PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the holders of the Notes may have limited or no remedies if insolvency

proceedings are commenced in relation to the Company in the PRC. See *“Risks Relating to China – Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognize and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.”* for more information.

Furthermore, the performance by the Company of its obligations under the Keepwell Deed may be subject to Regulatory Approvals (as defined in the Keepwell Deed). For example, even if the Company intends to perform its obligations under the Keepwell Deed in causing the Issuer or the Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Notes or the Guarantee, depending on the manner in which the Company performs such obligations, such performance may be subject to obtaining Regulatory Approvals, including the NDRC or its competent local counterpart, MOFCOM or its competent local counterpart and SAFE or its competent local counterpart. Although the Company is required to use its reasonable endeavours to obtain any required Regulatory Approvals in order to fulfill its obligations under the Keepwell Deed, there is no assurance that such Regulatory Approvals will be obtained in a timely manner or at all. A certificate signed by a director of the Company stating that the Company has used all reasonable endeavours to obtain all Regulatory Approvals but having used such endeavours, it has not been able to obtain all or some of such Regulatory Approvals and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and an opinion of a PRC counsel of recognized national standing, in form and substance satisfactory to the Trustee, stating the Regulatory Approvals required for the performance by the Company of its obligations under the Keepwell Deed and, where applicable, setting out the legal analysis as to why these cannot be obtained or made or reasonably achievable under the applicable PRC laws and regulations, shall be prima facie evidence of the fact that the Company has used all reasonable endeavours to obtain all such Regulatory Approvals. Upon the delivering of such certificate and opinion of the PRC counsel by the Company to the Trustee, the Company shall no longer be required to comply with its obligations under the Keepwell Deed for which the Regulatory Approvals, which it has used all reasonable endeavours to obtain, cannot be obtained.

In addition, under the Keepwell Deed, the Company undertakes with the Issuer, the Guarantor and the Trustee, among other things, to cause the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the Notes and the Guarantee in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement). However, any claim by the Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (other than the Issuer and the Guarantor), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (other than the Issuer and the Guarantor) will have priority to the assets of such entities over the claims of the Issuer, the Guarantor and the Trustee under the Keepwell Deed.

## CAPITALIZATION AND INDEBTEDNESS

### Capitalization and Indebtedness of the Group

The following table sets forth the Group's consolidated capitalization and indebtedness as at June 30, 2021 on an actual basis. The following table should be read in conjunction with the Group's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at June 30, 2021
	(RMB)
Cash and bank balances . . . . .	54,603,861,695
<b>Borrowings – current portion</b>	
Placements from financial institutions . . . . .	23,688,094,653
Short-term debt securities issued . . . . .	21,049,527,602
Long-term debt securities issued due within one year . . . . .	30,388,068,810
Total Borrowings – current portion . . . . .	<u>75,125,691,065</u>
<b>Borrowings – non-current portion</b>	
Long-term debt securities issued . . . . .	134,990,624,963
Other non-current liabilities . . . . .	<u>157,182,000</u>
Total Borrowings – non-current portion . . . . .	135,147,806,963
Total equity . . . . .	<u>78,986,864,253</u>
Total capitalization <sup>(1)</sup> . . . . .	<u><u>289,260,362,281</u></u>

*Note:*

(1) Total capitalization includes total borrowings – current portion, total borrowings – non-current portion and total equity.

On July 19, 2021, the Company redeemed its RMB2.88 billion 3.58% onshore corporate bonds due 2021.

On July 19, 2021, the Company exercised its option to redeem its RMB1.0 billion 3.29% onshore corporate bonds due 2023.

On August 9, 2021, the CICC Wealth Management issued RMB2.0 billion 2.68% onshore corporate bonds due 2022.

On August 16, 2021, the Company issued RMB1.0 billion 3.04% onshore corporate bonds due 2026 and RMB1.5 billion 3.39% onshore corporate bonds due 2028.

On August 30, 2021, the Company redeemed its RMB1.5 billion 4.70% onshore subordinated bonds due 2021.

Apart from disclosed above, there has been no material change in the Group's consolidated capitalization and indebtedness since June 30, 2021.

### Capitalization and Indebtedness of the Hong Kong Group

The following table sets forth the Hong Kong Group's consolidated capitalization and indebtedness as at December 31, 2020 on an actual basis. The following table should be read in conjunction with the Hong Kong Group's consolidated financial statements and related notes included elsewhere in this Offering Circular. The Hong Kong Group relies on a number of "on demand" banking facilities, which are repayable at any time, for its working capital.

	<b>As at December 31, 2020</b>
	<i>(HKD)</i>
Cash and cash equivalents . . . . .	17,133,510,192
<b>Short-term borrowings</b>	
Bank loans and overdrafts . . . . .	8,742,701,014
Short-term notes issued . . . . .	7,945,831,984
Long-term notes issued due within one year . . . . .	7,747,694,226
<b>Long-term borrowings</b>	
Long-term notes issued . . . . .	19,331,034,598
Total Equity . . . . .	<u>13,706,193,478</u>
Total capitalization <sup>(1)</sup> . . . . .	<u><u>57,473,455,300</u></u>

*Note:*

(1) Total capitalization includes short-term borrowings, long-term borrowings and total equity.

On 26 January 2021, the Issuer issued U.S.\$1.0 billion 1.625% offshore notes due 2024 and U.S.\$0.5 billion 2.000% offshore notes due 2026 guaranteed by the Guarantor under the Programme.

On 26 April 2021, the Issuer redeemed its U.S.\$0.6 billion floating rate offshore notes due 2021 issued on 25 April 2018 guaranteed by the Guarantor under the Programme.

Apart from disclosed above, there has been no material change in the Hong Kong Group's consolidated capitalization and indebtedness since December 31, 2020.



## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of the Notes will be used for the Hong Kong Group's working capital and general corporate purposes or to refinance its existing indebtedness. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## FORM OF PRICING SUPPLEMENT

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

[Date]

**CICC Hong Kong Finance 2016 MTN Limited**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**Guaranteed by China International Capital Corporation (Hong Kong) Limited**  
**under its U.S.\$10,000,000,000**  
**Guaranteed Medium Term Note Programme**

[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 **Professional Investors**) only.]

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

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

[This document together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor, the Hong Kong Group, the Company or the Group. Each of the Issuer, the Guarantor and the Company accepts full responsibility for the accuracy of the information contained in this document and confirm, 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.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated September 17, 2021 (the “**Offering Circular**”) [and the Supplementary Offering Circular dated [•]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantor, the Company and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplementary Offering Circular dated [•]] and this Pricing Supplement.

*[N.B. If the Issuer, the Guarantor or the Company has prepared any unaudited, but reviewed, condensed consolidated financial statements dated as at a date, or for a period ending, subsequent to the financial statements appearing in the latest Offering Circular, ensure that such financial statements are provided to potential investors of the relevant series of Notes as soon as practicable upon announcement of the deal.]*

**[MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that:

- (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)]**[MiFID II]**; and
- (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

**[UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that:

- (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”) and professional clients only, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and
- (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/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.]<sup>2</sup>

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”);
- (b) 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

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

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

- (c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.]

**[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:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
- (c) 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 amended) 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.

For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.]

**[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – [To insert notice if classification of the Notes is not “prescribed capital markets products”, pursuant to Section 309B of the SFA or “Excluded Investment Products”].]**<sup>3</sup>

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3 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).

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

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

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

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

- |   |  |  |
|---|--|--|
| 1 | (a) Issuer:  | CICC Hong Kong Finance 2016 MTN Limited (LEI of the Issuer is 52900N4NO8N9ILCZC31)   |
|   | (a) Guarantor:   | China International Capital Corporation (Hong Kong) Limited  |
|   | (b) Company/Keepwell Provider:   | China International Capital Corporation Limited  |
| 2 | (a) Series Number:   | [•]  |
|   | (a) Tranche Number:  | [•]  |
|   | (b) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with <i>[identify earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about <i>[date]</i> ]/[Not Applicable]] |
| 3 | Specified Currency or Currencies:  | [•]  |
| 4 | Aggregate Nominal Amount:  |  |
|   | (a) Series:  | [•]  |
|   | (b) Tranche:   | [•]  |

- 5 (a) Issue Price: [•] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from *[insert date]* (if applicable)]
- (a) [Net proceeds: [•]  
*[Delete for unlisted issuances.]*]
- 6 (a) Specified Denominations:<sup>4, 5</sup> [•]
- (a) Calculation Amount: [•]
- 7 (a) Issue Date: [•]
- (a) Interest Commencement Date: *[specify/Issue date/Not Applicable]*
- 8 Maturity Date: *[Fixed rate – specify date/Floating rate –Interest Payment Date falling in or nearest to [specify month]]<sup>6</sup>*
- 9 Interest Basis: [[•] per cent. Fixed Rate]  
[[LIBOR/EURIBOR/HIBOR/CNH HIBOR] +/- [•] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
*[specify other]*  
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
*[specify other]*
- 11 Change of Interest Basis or Redemption/  
Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/  
Payment Basis/Not Applicable]*

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

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



- 12 Put/Call Options: [Investor Put]<sup>7</sup>  
[Issuer Call]  
[(further particulars specified below)]
- 13 Date of [Board] approval for issuance of Notes and Guarantee obtained: [Board of directors of the Issuer: [•]; and Board of directors of the Guarantor: [•]]  
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
- 14 NDRC Registration: [Not Applicable/Insert registration certificate number and date]
- 15 Listing: [The Stock Exchange of Hong Kong Limited/specify other/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
- 16 Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 17 Fixed Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]  
(*If payable other than annually, consider amending Condition 5*)
- (b) Interest Payment Date(s): [•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]]  
(*N.B.: This will need to be amended in the case of long or short coupons*)

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<sup>7</sup> For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

- (c) Fixed Coupon Amount(s): [•] per Calculation Amount<sup>8</sup>  
(Applicable to Notes in definitive form)
- (d) Broken Amount: [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]  
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)<sup>9</sup> or *[specify other]*]
- (f) Determination Date(s): [•] in each year.  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short, first or last coupon] (N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)*  
*(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
- 18 Floating Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [•]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (c) Additional Business Centre(s): [•]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent): [•]

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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 CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

9 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

- (f) Screen Rate Determination:
- Reference Rate: [•]  
  
(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
  - Interest Determination Date: [•]  
  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), second Hong Kong business day prior to the start of each Interest period if CNH HIBOR, first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page: [•]  
  
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination (Condition 5(b)):
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (h) Margin(s): [+/-] [•] per cent. per annum
- (i) Minimum Rate of Interest: [•] per cent. per annum
- (j) Maximum Rate of Interest: [•] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)Actual/365(Fixed)  
Actual/365(Sterling)  
Actual/360  
30/360, 360/360 or Bond Basis  
30E/360 or Eurobond Basis  
30E/360 (ISDA)  
Other]  
(See Condition 5 for alternatives)

- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
- 19 Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [•] per cent. per annum
- (b) Reference Price: [•]
- (c) Any other formula/basis of determining amount payable: [•]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 6(B)(i) and Condition 7 apply/*specify other*]
- (Consider applicable day count fraction if not U.S. dollar denominated)
- 20 Index Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [*give or annex details*]
- (b) Calculation Agent: [•]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent): [•]
- (d) Interest Determination Date(s): [•]
- (e) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (f) Interest or calculation period(s): [•]
- (g) Specified Period(s)/Specified Interest Payment Dates: [•]
- (h) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (i) Additional Business Centre(s): [•]

- (j) Minimum Rate of Interest: [•] per cent. per annum
- (k) Maximum Rate of Interest: [•] per cent. per annum
- (l) Day Count Fraction: [•]
- 21 Dual Currency Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give or annex details*]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent): [•]
- (c) 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*]
- (d) Person at whose option Specified Currency(ies) is/are payable: [•]

## PROVISIONS RELATING TO REDEMPTION

- 22 Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[•] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [•]
- (ii) Maximum Redemption Amount: [•]
- (d) Notice period (if other than as set out in the Conditions): [•]
- (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee*)

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

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 27 Form of Notes:
- [Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice<sup>10</sup>]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes:**
- Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

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<sup>10</sup> 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.



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

## DISTRIBUTION

- 35 (a) If syndicated, names and addresses of Managers and commitments: [Not Applicable/*give names and addresses and commitments*]
- (b) Date of Subscription Agreement: [•]
- (c) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- 36 If non-syndicated, name of relevant Dealer: [Not Applicable/*give name and address*]
- 37 Total commission and concession: [•] per cent. of the Aggregate Nominal Amount
- 38 U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable<sup>11</sup>]
- 39 Additional selling restrictions: [Not Applicable/*give details*]

## OPERATIONAL INFORMATION

<sup>11</sup> “TEFRA not applicable” is only available for Bearer Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

- 40 Any clearing system(s) other than Euroclear or Clearstream, Luxembourg and the relevant identification number(s): [CMU/Not Applicable/*give name(s) and number(s)*]
- 41 Delivery: Delivery [against/free of] payment
- 42 Additional Paying Agents (if any): [•]
- ISIN: [•]
- Common Code: [•]
- (insert here any other relevant codes such as a CMU instrument number)*
- 43 Programme Ratings: [•]
- 44 Notes Ratings: [Not Applicable/*give rating and name of 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] (the **Stabilisation Manager**) (or persons acting on behalf of any Stabilisation Manager(s)) in this 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, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. 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 be ended 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, regulations and rules.]

#### [MATERIAL ADVERSE CHANGE STATEMENT]

[Except as disclosed in this document, there/There<sup>12</sup>] has been no adverse change on the financial condition, prospects, results of operations, management or general affairs of the Issuer, the Guarantor, or the Group since [insert date of last published annual accounts] which is material and adverse in the context of the issue and offering of the Notes and the Guarantee.]

#### [LISTING APPLICATION]

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.\$10,000,000,000 Guaranteed Medium Term Note Programme of CICC Hong Kong Finance 2016 MTN Limited.]

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<sup>12</sup> If any change is disclosed in the Pricing Supplement, it will 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.

## **RESPONSIBILITY**

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

**SIGNED** on behalf of the Issuer:

**SIGNED** on behalf of the Guarantor:

By: \_\_\_\_\_  
Duly authorised

By: \_\_\_\_\_  
Duly authorised

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is issued by CICC Hong Kong Finance 2016 MTN Limited (the “Issuer”) pursuant to the Trust Deed (as defined below). The due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed is guaranteed by China International Capital Corporation (Hong Kong) Limited (the “Guarantor”) as specified hereon.

The Notes are constituted by a trust deed (as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) dated 5 May 2016 between the Issuer, the Guarantor, China International Capital Corporation Limited (the “Company”) and Citicorp International Limited (the “Trustee”, which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement (as amended or supplemented as at the Issue Date, the “Agency Agreement”) dated May 5, 2016 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A. London Branch as initial issuing and paying agent, Citicorp International Limited as CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “CMU”) and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “CMU Lodging and Paying Agent”, the “Paying Agents”(which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the “Registrar”, the “Transfer Agents”(which expression shall include the Registrar) and the “Calculation Agent(s)” (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrars, Transfer Agents and Calculation Agent(s) being together referred to as the “Agents”). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

A keepwell deed dated May 5, 2016 (as amended or supplemented from time to time, the “Keepwell Deed”) between the Issuer, the Guarantor, the Company and the Trustee has been entered into for the benefit of the Trustee on behalf of itself and the Noteholders.

Copies of the Trust Deed, the Agency Agreement and the Keepwell Deed are available for inspection during usual business hours at the principal office of the Trustee (presently at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Hong Kong) and at the specified office of the Issuing and Paying Agent.

The Noteholders, the holders of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Coupon holders”) and the holders of the receipts for the payment of instalments of principal (the “Receipts”) relating to Notes in bearer form of which the principal is payable in

instalments are entitled to the benefit of, are bound by, and (i) are deemed to have notice of, all the provisions of the Trust Deed and the Keepwell Deed, and (ii) are deemed to have notice of those provisions applicable to them of the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Keepwell Deed.

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

## **1 Form, Denomination and Title**

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

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

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

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

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

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

## **2 No Exchange of Notes and Transfers of Registered Notes**

### **(a) No Exchange of Notes**

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

**(b) Transfer of Registered Notes**

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

*Transfers of interests in the Notes evidenced by Global Certificates will be effected in accordance with the rules of the relevant clearing systems.*

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

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

**(d) Delivery of New Certificates**

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



**(e) Transfers Free of Charge**

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

**(f) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(e), (iii) after the exercise of the put option in Condition 6(f), (iv) during the period of 15 days prior to any date on which Notes are being called for redemption in part by the Issuer at its option, (v) after any such Note has been called for redemption where not all the Notes are being called for redemption or (vi) during the period of seven Business Days ending on (and including) any Record Date.

**3 Guarantee and Status**

**(a) Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under and in respect of the Trust Deed and the Notes, the Receipts and the Coupons. Its obligations in that respect (the “Guarantee”) are contained in the Trust Deed.

**(b) Status of Notes and Guarantee**

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

**4 Negative Pledge and Other Covenants**

**(a) Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor will not, and will ensure that none of their respective Subsidiaries will, create or, have outstanding, any Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without (A) at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or (B) such other security as either (aa) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (bb) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

**(b) Information Rights**

Under the Trust Deed, so long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

- (i) the Company is obliged to furnish the Trustee with (A) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) and copies of the Company Audited Financial Reports; and (B) copies of the Company Unaudited Financial Reports, in each case, as soon as they are available but in any event not more than 14 days after such financial reports of the Company are filed with the exchange on which the Company's ordinary shares are at such time listed for trading (and, in the case of a Compliance Certificate requested by the Trustee, within 14 days of any written request by the Trustee);
- (ii) the Guarantor is obliged to furnish the Trustee with (A) a Compliance Certificate of the Guarantor (on which the Trustee may rely as to such compliance) and copies of the Guarantor Audited Financial Reports as soon as they are available, but in any event within 120 days after the end of each Relevant Period (and, in the case of a Compliance Certificate requested by the Trustee, within 14 days of any written request by the Trustee); and (B) (if applicable) copies of the Guarantor Unaudited Financial Reports as soon as they are available, but in any event within 90 days after the end of each Relevant Period; provided that, if at any time the ordinary shares of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than 14 days after any financial reports of the Guarantor are filed with the exchange on which the Guarantor's ordinary shares are at such time listed for trading, true and correct copies of such financial reports filed with such exchange in lieu of the reports identified in Condition 4(b)(ii)(A) and Condition 4(b)(ii)(B) above; and
- (iii) the Issuer is obliged to furnish the Trustee with a Compliance Certificate of the Issuer (on which the Trustee may rely as to such compliance) (A) within 120 days after the end of each Relevant Period in relation to the Company Audited Financial Reports or (B) within 14 days of any written request by the Trustee.

If any financial reports to be provided pursuant to this Condition 4(b)(i) and (ii) shall be in the Chinese language, they shall be provided together with an English translation of the same translated by (1) an internationally recognised firm of independent accountants or (2) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by any authorised signatory of the Guarantor or the Company (as the case may be) certifying that such translation is complete and accurate.

**(c) Issuer Activities**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

- (i) the Issuer will not, and the Guarantor and the Company shall procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the Programme and the Notes and the Coupons (such activities shall, for the avoidance of doubt, include (A) the establishment and maintenance of the Programme, (B) the offering, sale or issuance of the Notes and the Coupons under the Programme, (C) the incurrance of Relevant Indebtedness represented by the Notes and Coupons issued under these Conditions, (D) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence and (E) the on-lending of the proceeds

of the issue of the Notes and/or the Coupons (the “Proceeds of the Notes”) to the Guarantor or as it may direct), and to cause such recipient of the Proceeds of the Notes to pay the interest and principal in respect of such intercompany loan on time;

- (ii) the Issuer will not, and the Guarantor and the Company shall procure that the Issuer will not, take any action or fail to take any action, if such action or failure to take any action may interfere with the enforcement of any rights of the Trustee and/or the Noteholders under the Notes, Coupons, the Trust Deed or the Keepwell Deed in any manner which could materially and adversely affect the interests or entitlements of the Trustee or the Noteholders or Couponholders; and
- (iii) the Issuer will not, and the Guarantor and the Company shall procure that the Issuer will not, amend or alter any of the provisions of its constitutive documents in a manner that will (1) have an adverse effect on the ability of the Issuer to perform its obligations under the Notes, Coupons, or the Trust Deed or (2) in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or Couponholders,

in each case without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders.

**(d) Guarantor Activities**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

- (i) the Guarantor will not, and the Company shall procure that the Guarantor will not, take any action or fail to take any action, if such action or failure to take any action may interfere with the enforcement of any rights of the Trustee and/or the Noteholders under the Notes or Coupons, the Guarantee, the Trust Deed or the Keepwell Deed in any manner which could materially and adversely affect the interests or entitlements of the Trustee or the Noteholders or Couponholders; and
- (ii) the Guarantor will not, and the Company shall procure that the Guarantor will not, amend or alter any of the provisions of its constitutive documents in a manner that will (1) have an adverse effect on the ability of the Guarantor to perform its obligations under the Notes or Coupons, the Guarantee or the Trust Deed or (2) in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or Couponholders,

in each case without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders.

**(e) Undertakings under the Keepwell Deed**

The Company has undertaken in the Keepwell Deed that it shall, among others:

- (i) at all times during the term of the Keepwell Deed, directly or indirectly own and hold all the outstanding shares of each of the Issuer and the Guarantor having the right to vote for election of members of the board of directors of the Issuer and the Guarantor and shall not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged; and
- (ii) for so long as any Note or Coupon remains outstanding, cause the Guarantor to remain the primary overseas platform of the Company for investment and offshore financing.

In these Conditions:

“Company Audited Financial Reports” means annual audited financial statements (on a consolidated basis and as audited by an internationally recognised firm of independent accountants) of the Company, including a statement of profit or loss and other comprehensive income, statement of financial position, cash flow statement and statement of changes in equity, together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“Company Unaudited Financial Reports” means semi-annual unaudited financial statements (on a consolidated basis) of the Company, including a statement of profit or loss and other comprehensive income, statement of financial position, cash flow statement and statement of changes in equity, together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, as prepared on a basis consistent with the Company Audited Financial Reports;

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

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

“Guarantor Audited Financial Reports” means annual audited financial statements (on a consolidated basis and as audited by an internationally recognised firm of independent accountants) of the Guarantor, including a statement of comprehensive income, statement of financial position, cash flow statement and statement of changes in equity, together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“Guarantor Unaudited Financial Reports” means semi-annual unaudited financial statements (on a consolidated basis) of the Guarantor, including a statement of comprehensive income, statement of financial position, cash flow statement and statement of changes in equity, together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, as prepared on a basis consistent with the Guarantor Audited Financial Reports;

“Potential Event of Default” means a continuing event or circumstance (being an event or circumstance which has not been remedied to the satisfaction of the Trustee or waived in writing by the Trustee) that could with the giving of notice, lapse of time, issue of a certificate and/or fulfillment of any other requirement provided for in Condition 10 become an Event of Default;

“PRC” means the People’s Republic of China (for the purposes hereof not including Hong Kong Special Administrative Region or Macau Special Administrative Region of the PRC or Taiwan);

“Relevant Indebtedness” means any present or future indebtedness outside the PRC which (1) is in the form of, or represented or evidenced by, any bonds, notes, debentures, debenture stock or loan stock or other similar securities, and which (2) for the time being is, or is intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bi-lateral loans, syndicated loans or club deal loans) and shall not include any structured product which is issued in the ordinary course of business and is not issued for capital raising purposes (in the event of a dispute, the Trustee may rely without inquiry on a certificate signed in good faith by any authorised signatory of the Issuer or the Guarantor, as applicable, stating whether any structured product is or is not issued in the ordinary course of business and/or for capital raising purposes);

“Relevant Period” means, in relation to each of the Company Audited Financial Reports and the Guarantor Audited Financial Reports, each period of 12 months ending on the last day of their respective financial year (which, unless otherwise notified to the Trustee and to the Noteholders in accordance with Condition 16, shall be 31 December of that financial year) and, in relation to each of the Company Unaudited Financial Reports and the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of their respective first semi-annual period (which, unless otherwise notified to the Trustee and to the Noteholders in accordance with Condition 16, shall be 30 June of that financial year);

“Security Interest” means any mortgage, charge, lien, pledge, encumbrance or other security interest of a similar nature (other than a lien arising by operation of law); and

a “Subsidiary” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

## **5 Interest and Other Calculations**

### **(a) Interest on Fixed Rate Notes**

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

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

#### **(i) Interest Payment Dates**

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

**(ii) Business Day Convention**

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event

- (x) such date shall be brought forward to the immediately preceding Business Day and
- (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

**(iii) Rate of Interest for Floating Rate Notes**

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

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

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

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

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



(B) Screen Rate Determination for Floating Rate Notes

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

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

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

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

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

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

(C) Benchmark Replacement

In addition, notwithstanding the provisions above in this Condition 5(b) (*Interest on Floating Rate Notes and Index Linked Interest Notes*), if the Issuer determines that a Benchmark Event (as defined below) 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 (as defined below) to determine (acting in good faith), no later than five Hong Kong 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 (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) 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 good faith) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, 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 5(b)(iii)(C) (*Benchmark Replacement*)); provided, however, that if sub-paragraph (ii) applies and the Issuer (acting in good faith) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iii)(C) (*Benchmark Replacement*));
- (iv) if the Independent Adviser or the Issuer (acting in good faith) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in good faith) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Principal Paying 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 5(b)(iii)(C) (*Benchmark*

*Replacement*). 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 Principal Paying 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 Principal Paying 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.

In these Conditions:

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

- (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 good faith) (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 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 good faith) to be appropriate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable);

“Alternative Reference Rate” means the rate that the Independent Adviser or the Issuer (as applicable) 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 good faith) is most comparable to the relevant Reference Rate.

“Benchmark Event” means, in respect of a Reference Rate:

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

provided that in the case of sub-paragraphs (ii), (iii), (iv) and (v), the Benchmark Event shall be deemed to occur on the earlier of (A) the date falling five calendar days after the Independent Adviser or the Issuer (as applicable) has given notice to the Principal Paying Agent that a Benchmark Event has occurred and (B) the date of the cessation of publication of the Reference Rate, the discontinuation of the Reference Rate, the prohibition of the use of the Reference Rate or on the date with effect from which the Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, as the case may be.

“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;

“Relevant Nominating Body” means, in respect of a reference rate:

- (i) 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
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the 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; and

“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.”

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

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

**(c) Zero Coupon Notes**

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

**(d) Dual Currency Notes**

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

**(e) Partly Paid Notes**

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

**(f) Accrual of Interest**

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

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

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 5(g)(ii) below.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to



seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

**(h) Calculations**

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

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

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

**(j) Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may, but shall not be obliged to, do so (or may, but shall not be obliged to, appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or such agent appointed by it shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(k) Definitions**

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

“Business Day” means:

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

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

- (i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (iv) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

“Interest Amount” means:

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

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

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

“Interest Period” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

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

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

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

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-

zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent and notified in writing to the Trustee or as specified hereon;

“Reference Rate” means the rate specified as such hereon;

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon;

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

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

**(I) Calculation Agent**

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

**6 Redemption, Purchase and Options**

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

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

**(b) Early Redemption**

**(i) Zero Coupon Notes**

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Accrual Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

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

**(ii) Other Notes**

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

**(c) Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if:

- (i) the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or



regulations of 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and

- (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes (or the Guarantee, as the case may be) were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (A) a certificate signed by an authorised signatory of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion of independent legal or tax advisors of recognised standing with respect to tax matters to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on the Noteholders and Couponholders. All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date and in such manner as specified in such notice in accordance with this Condition 6(c).

**(d) Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

**(e) Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the

Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

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

**(f) Redemption for Change of Control Put Event**

At any time following the occurrence of a Change of Control Put Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Put Settlement Date at 101 per cent. of their Early Redemption Amount (as described in Condition 6(b) above), together with accrued interest up to but excluding such Put Settlement Date.

In order to exercise such right, the holder of the relevant Note must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) with any Paying Agent at its specified office or the Certificates (in the case of Registered Notes) 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, in the form for the time being current, obtainable from the specified office of any Paying Agent, the Registrar or any Transfer Agent (as applicable) (a "Put Exercise Notice"), by not later than 30 days following the occurrence of a Change of Control Put Event or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16.

The "Put Settlement Date" shall be the 14th day after the expiry of such period of 30 days as referred to above in this Condition 6(f).

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

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

None of the Trustee or any of the Agents shall be required to take any steps to ascertain whether a Change of Control Put Event has occurred and shall not be responsible for or liable to the Noteholders, the Couponholders, the Issuer, the Guarantor or the Company for any loss arising from any failure to do so.

In this Condition 6(f):

a "Change of Control Put Event" means:

- (i) Central Huijin Investment Ltd. directly or indirectly ceasing to be the largest shareholder of the Company;

- (ii) the Company ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor; or
- (iii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.

**(g) No Other Redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 6 above.

**(h) Partly Paid Notes**

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

**(i) Purchases**

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

**7 Payments and Talons**

**(a) Bearer Notes**

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

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

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

**(b) Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that

such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(c) Registered Notes**

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

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

**(d) Payments subject to Fiscal Laws**

All payments will be subject in all cases to (i) any fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto (together “FATCA”). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(e) Appointment of Agents**

The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to

vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent in a jurisdiction other than the Relevant Jurisdictions, (iii) a Registrar in relation to Registered Notes, (iv) a Transfer Agent in relation to Registered Notes, (v) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (vi) one or more Calculation Agent(s) where the Conditions so require, and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

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

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

**(f) Unmatured Coupons and Receipts and unexchanged Talons**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of ten years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it,

as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) Talons**

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

**(h) Non-Business Days**

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

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

**8 Taxation**

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any authority therein or thereof having power to tax (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor, in respect of PRC tax not exceeding the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes specified hereon (the “Applicable Rate”), the Issuer or, as the case may be, the Guarantor, will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders or Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor, is required to make a deduction or withholding in respect of PRC tax at a rate in excess of the Applicable Rate, or in respect of a Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“Additional Tax Amounts”) as will result in receipt by the Noteholders and



Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon or in respect of any payment pursuant to the Guarantee:

**(a) Other connection**

to, or to a third party on behalf of, a Noteholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

**(b) Lawful avoidance of withholding**

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

**(c) Presentation more than 30 days after the Relevant Date**

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the 30th day; or

**(d) Presentation in Relevant Jurisdiction**

presented for payment in a Relevant Jurisdiction; or

**(e) FATCA**

where such withholding or deduction is imposed pursuant to FATCA.

For the avoidance of doubt, the Issuer's or the Guarantor's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Notes.

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



amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

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

## **9 Prescription**

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

## **10 Events of Default**

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

### **(a) Non-payment**

there is a failure to pay (i) the principal of or any premium on any of the Notes within seven days after the due date for such payment; or (ii) any interest on any of the Notes within 14 days after the due date for such payment; or

### **(b) Breach of Other Obligations**

the Issuer, the Guarantor or the Company does not perform or comply with any one or more of its other obligations under the Notes, the Trust Deed or the Keepwell Deed (other than where it gives rise to a redemption pursuant to Condition 6(f) or an event of default pursuant to Condition 10(a)) and, which default is incapable of remedy or, if in the opinion of the Trustee such default is capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer, the Guarantor or the Company (as the case may be) by the Trustee; or

### **(c) Cross-acceleration**

(i) failure to pay within 10 business days after final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any other present or future indebtedness of the Company, the Guarantor, the Issuer or any of their Principal Subsidiaries, (ii) acceleration of the maturity of any indebtedness of the Company, the Guarantor, the Issuer or any of their Principal Subsidiaries following a default by the Company, the Guarantor, the Issuer, or such Principal Subsidiary, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 business days after receipt by the Trustee of the written notice from the Company, the Guarantor or the Issuer as provided in the Trust Deed, or (iii) failure to pay any amount payable by the Company, the Guarantor, the Issuer or any Principal Subsidiary under any guarantee or indemnity in respect of any indebtedness of any other person if such obligation is not discharged or otherwise satisfied within 10 business days after receipt by the Trustee of written notice as provided in the Trust Deed; provided,

however, that no such event set forth in sub-clause (i), (ii) or (iii) shall constitute an Event of Default unless the aggregate outstanding indebtedness to which all such events relate exceeds US\$50,000,000 (or its equivalent in any other currency or currencies); or

**(d) Enforcement Proceedings**

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries and is not discharged or stayed within 90 days; or

**(e) Security Enforced**

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries over the whole or any material part of the assets of the Issuer, the Guarantor, the Company or their respective Principal Subsidiaries, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days; or

**(f) Insolvency**

the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all 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 commences a voluntary case or proceeding under any applicable bankruptcy law, consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable bankruptcy law, consents to the appointment of receiver of it or for any material part of its property and assets, consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, or takes any corporate action to authorise or effect any of the foregoing, or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries; or

**(g) Winding-up**

an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries, or the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries ceases or threatens to cease 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 with the consent of the Trustee, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or the Company, as the case may be, or any of their respective Subsidiaries; or

**(h) Nationalisation**

any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor, the Company or any of their respective Principal Subsidiaries; or

**(i) Authorisation and Consents**

any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, the Guarantor and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed and the Keepwell Deed (other than with regard to the performance of and compliance with obligations thereunder); (ii) to ensure that those obligations referred to in (i) are legally binding and enforceable and (iii) to make the Notes, the Trust Deed and the Keepwell Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or

**(j) Illegality**

it is or will become unlawful for any of the Issuer, the Guarantor and the Company to perform or comply with any one or more of their respective obligations under any of the

Notes, the Coupons, the Trust Deed, the Agency Agreement and the Keepwell Deed; or

**(k) Keepwell Deed**

the Keepwell Deed is not or is claimed by the Issuer, the Guarantor or the Company not to be in full force and effect, or the Issuer, the Guarantor or the Company is in breach of its respective obligations thereunder, or the Keepwell Deed is modified, amended or terminated other than strictly in accordance with its terms; or

**(l) Guarantee**

the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor; or

**(m) 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 Condition 10(d) to Condition 10(g) (both inclusive).

For the purposes of this Condition 10:

“business day” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Hong Kong and the PRC;

“Principal Subsidiary” means any Subsidiary of the Issuer, the Guarantor and/or the Company:

- (i) whose gross revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, the Guarantor or the Company, as the case may be, as shown by its latest audited income statement, are at least five per cent. of the consolidated gross revenues as shown by the latest published audited income statement of the Issuer, the Guarantor or the Company, as the case may be, and their respective consolidated Subsidiaries including, for the avoidance of doubt, the Issuer, the Guarantor or the Company, as the case may be, and their respective consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (ii) whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, the Guarantor or the Company, as the case may be, as shown by its latest audited income statement, are at least five per cent. of the consolidated net profits as shown by the latest published audited income statement of the Issuer, the Guarantor or the Company, as the case may be, and their respective consolidated Subsidiaries, including, for

the avoidance of doubt, the Issuer, the Guarantor or the Company, as the case may be, and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

- (iii) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, the Guarantor or the Company, as the case may be, as shown by its latest audited balance sheet, are at least five per cent. of the consolidated gross assets as shown by the latest published audited balance sheet of the Issuer, the Guarantor or the Company, as the case may be, and their respective consolidated Subsidiaries, including, for the avoidance of doubt, the investment of the Issuer, the Guarantor or the Company, as the case may be, in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer, the Guarantor or the Company, as the case may be, and after adjustments for minority interests; or
- (iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer, the Guarantor or the Company, as the case may be, prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) or (iii) above of this definition:

- (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer, the Guarantor or the Company, as the case may be, relate, the reference to the then latest consolidated audited accounts of the Issuer, the Guarantor or the Company, as the case may be, for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer, the Guarantor or the Company, as the case may be, for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer, the Guarantor or the Company, as the case may be, adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (B) if at any relevant time in relation to the Issuer, the Guarantor, the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, the gross revenue, net profits or gross assets of the Issuer, the Guarantor, the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer, the Guarantor or the Company, as the case may be, for the purposes of preparing a certificate thereon to the Trustee;
- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross revenue, net profits or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer, the Guarantor or the Company, as the case may be, for the purposes of preparing a certificate thereon to the Trustee; and
- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, the Guarantor or the Company, as the case may be, then the determination of whether or not such Subsidiary is a Principal

Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer, the Guarantor or the Company, as the case may be.

Each of the Issuer, the Guarantor and the Company will give to the Trustee within 14 days of a written request by the Trustee, a certificate signed by an authorised signatory of the Issuer or, as the case may be, the Guarantor listing those Subsidiaries that as at the last day of the last financial year of the Company or as at the date specified in such request were Principal Subsidiaries. A certificate signed by any one of the authorised signatories of the Issuer, the Guarantor or the Company, respectively, stating that, in his/her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer, the Guarantor or the Company, as the case may be, shall, in the absence of manifest error, be conclusive and binding on all parties and the Noteholders and Couponholders.

## **11 Meetings of Noteholders, Modification, Waiver and Substitution**

### **(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Keepwell Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in aggregate nominal amount of the Notes for the time being outstanding (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses). The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or (viii) to modify or cancel the Guarantee or the Keepwell Deed (subject to Condition 11(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in aggregate nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution

passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

**(b) Modification of Agreements and Deeds**

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

**(c) Substitution**

The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as set forth in the Trust Deed and the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

**(d) Entitlement of the Trustee**

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

## **12 Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer, the Guarantor and/or the Company as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate nominal amount of the Notes then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder,



Receiptholder and/or Couponholder may proceed directly against the Issuer, the Guarantor or the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

### **13 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the Company and/or any entity related to the Issuer, the Guarantor or the Company without accounting for any profit.

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

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

### **14 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

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



Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **15 Further Issues**

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

## **16 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a leading newspaper having general circulation in Asia (which is expected to be the Wall Street Journal Asia). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a daily newspaper with general circulation in Asia (which is expected to be *The Wall Street Journal Asia*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

*So long as any Global Note is, or any Notes represented by a Global Certificate are, held on behalf of, or registered in the name of any operator of or nominee for, a clearing system, notices to Noteholders shall be given by delivery of the relevant notice to the relevant clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Noteholders on the date of delivery of such notice to the relevant clearing system.*

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

## **17 Contracts (Rights of Third Parties) Act 1999**

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

## **18 Governing Law and Jurisdiction**

### **(a) Governing Law**

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

### **(b) Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Guarantee, the Keepwell Deed and the Trust Deed. Accordingly, any legal action or proceedings arising out

of or in connection with any Notes, Receipts, Coupons or Talons, the Guarantee, the Keepwell Deed and the Trust Deed (“Proceedings”) shall be brought in the courts of Hong Kong. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

**(c) Agent for Service of Process**

Each of the Issuer and the Company has irrevocably appointed the Guarantor at its registered office, currently at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Issuer or the Company). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Company irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

### **Initial Issue of Notes**

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

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

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

### **Relationship of Accountholders with Clearing Systems**

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

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

## **Exchange**

### **Temporary Global Notes**

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

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

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

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

### **Further Issues**

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

### **Permanent Global Notes**

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

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

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

## **Global Certificates**

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

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

## **Delivery of Notes**

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

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

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

## **Exchange Date**

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

## **Amendment to Conditions**

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

## **Payments**

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

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

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

## **Prescription**

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

## **Meetings**

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

## **Cancellation**

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



**Purchase**

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

**Issuer's Option**

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

**Noteholders' Options**

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

**Notices**

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

**Partly Paid Notes**

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



## DESCRIPTION OF THE KEEPWELL DEED

*The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Defined terms used in this section shall have the meanings given to them in the Keepwell Deed.*

Under the Keepwell Deed, the Company undertakes with the Issuer, the Guarantor and the Trustee, as applicable, that:

- at all times during the term of the Keepwell Deed, (a) it shall directly or indirectly own and hold all the outstanding ordinary shares of the Issuer having the right to vote for election of members of the board of directors of the Issuer and (b) it will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged; and
- at all times during the term of the Keepwell Deed, (a) it shall directly or indirectly continue to own and hold all the outstanding ordinary shares of the Guarantor having the right to vote for election of members of the board of directors of the Guarantor and (b) it will not, directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such ordinary shares of the Guarantor, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged.

In addition, for as long as any Note or Coupon is outstanding, the Company undertakes with the Issuer, the Guarantor and the Trustee that it shall cause:

- the Issuer to have a Consolidated Net Worth of at least U.S.\$1.00 (or its equivalent in other currencies) at all times;
- the Guarantor to have a Consolidated Net Worth of at least HKD1.00 at all times;
- each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by each of the Issuer and the Guarantor of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the Notes and the Guarantee in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement); and
- each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.

If the Issuer or the Guarantor (as the case may be) at any time determines that it will have insufficient liquidity to meet its payment obligations in respect of the Notes, the Guarantee, or the Trust Deed as and when they fall due, it shall promptly notify the Company of the shortfall and the Company will cause the Issuer or the Guarantor (as the case may be) to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or the Guarantor (as the case may be) to pay such payment obligations in full as and when they fall due, provided, however, that the Company shall not in any event be required to perform any part of the payment obligations in lieu of the Issuer and/or the Guarantor under the Notes. Each of the Issuer and the Guarantor shall use any funds it obtains in accordance with the Keepwell Deed solely for the payment, when due, of such payment obligations under the Notes, the Guarantee or the Trust Deed (as the case may be).

The Company further undertakes for so long as any Note or Coupon remains outstanding:

- not to amend or agree to any amendment (without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders) to the articles of association or any other similar constitutive document of each of the Issuer and the Guarantor in a manner that will (i) have an adverse effect on the ability of the Issuer and/or the Guarantor to perform their respective obligations under the Notes or Coupons, the Trust Deed or the Keepwell Deed or (ii) in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or Couponholders;
- to cause the Issuer to remain in full compliance with the Conditions, the Trust Deed and all applicable rules and regulations in the British Virgin Islands;
- to cause the Guarantor to remain in full compliance with the Conditions, the Trust Deed, the Guarantee and all applicable rules and regulations in Hong Kong;
- to cause the Issuer either to use the proceeds of the issue of the Notes and/or the Coupons (the “Proceeds of the Notes”) itself or to lend the Proceeds of the Notes only to the Guarantor or as it may direct, and to cause such recipient of the Proceeds of the Notes to pay the interest and principal in respect of such intercompany loan on time;
- to cause the Guarantor to remain the primary overseas platform of the Company for investment and offshore financing;
- to procure that the Issuer will not (without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders) carry on any business activity whatsoever other than in connection with the Programme and the Notes and the Coupons (which activities shall, for the avoidance of doubt, include (A) the establishment and maintenance of the Programme, (B) the offering, sale or issuance of the Notes and the Coupons under the Programme, (C) the incurrence of Relevant Indebtedness represented by the Notes and Coupons issued under these Conditions, (D) the activities directly related to the establishment and/or maintenance of the Issuer’s corporate existence and (E) the on-lending of the Proceeds of the Notes to the Guarantor or as it may direct);
- promptly to do all such things and take any and all such actions necessary to comply with the Company’s obligations under the Keepwell Deed; and
- to cause each of the Issuer and the Guarantor to do all such things and take any and all such actions necessary in a timely manner to comply with its obligations under the Keepwell Deed.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The parties to the Keepwell Deed acknowledge that in order for the Company to comply with its obligations under the Keepwell Deed, it may require Regulatory Approvals pursuant to applicable laws.

For the purpose of the Keepwell Deed, (a) a certificate signed by a director of the Company stating that the Company has used all reasonable endeavours to obtain all Regulatory Approvals but having used such endeavours, it has not been able to obtain all or some of such Regulatory Approvals and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and (b) an opinion of a PRC counsel of recognised national standing, in form and substance satisfactory to the Trustee, stating the Regulatory Approvals required for the performance by the Company of its obligations under the

Keepwell Deed and, where applicable, setting out the legal analysis as to why these cannot be obtained or made or reasonably achievable under the applicable PRC laws and regulations, shall be prima facie evidence of the fact that the Company has used all reasonable endeavours to obtain all such Regulatory Approvals, and the Trustee shall not be obligated to call for further evidence and shall be satisfied that the Company has used all reasonable endeavours to obtain all Regulatory Approvals as required under the Keepwell Deed. Upon the delivering of such certificate and opinion of the PRC counsel by the Company to the Trustee, the Company shall no longer be required to comply with its obligations under the Keepwell Deed for which the Regulatory Approvals, which it has used all reasonable endeavours to obtain, cannot be obtained. The Trustee will not be responsible or liable to any person for any loss occasioned by acting on or relying on such a certificate or opinion.

The Keepwell Deed may be modified, amended or terminated by another deed to be executed by the parties hereto subject to the provisions of the Conditions and the Trust Deed.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed.

## DESCRIPTION OF THE GROUP

### Overview

The Group is a premier China-based investment bank with international reach. The Group has built a distinguished market presence with an excellent team, client base and brand name, which enables it to capture market opportunities. The Group's goal is to become a world-class financial institution with global influence.

The Group was the first joint-venture investment bank in the PRC. As a pioneer in adopting international best practices with a thorough understanding of the Chinese market, the Group quickly became a flagship investment bank in China. The Group has spearheaded the development of the PRC's capital markets by completing many precedent-setting transactions.

The Group expects that the new round of financial reforms initiated in the PRC will enhance the role of securities firms in the financial markets in general and believes that it is uniquely well-positioned to take advantage of these significant opportunities attributable to its leading position in investment banking and cross-border execution capabilities.

The Group's success is built upon its clients' success. The Group aims to provide the best products and services to its clients. The Group strives to accomplish this mission by adhering to the following core values:

- **By the People and For the Nation (以人為本，以國為懷):** People are the Group's most valuable assets. The Group strives to attract, cultivate and retain the best people. Since its inception, the Group has positioned itself as a China-based investment bank with international perspectives. It is the Group's mission to serve the nation by promoting economic reform and long-term development of the capital markets.
- **Professionalism and Diligence (勤奮專業):** The Group develops its businesses up to the highest professional standards, and nurtures a high-calibre team of financial professionals, who boast international visions, diligently perform their duties and share the Group's corporate values.
- **Innovation and Entrepreneurship (積極進取):** Innovation is the lasting force that drives the Group forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, the Group is always prepared to embrace changes and continue to deliver innovative products and quality services to its clients.
- **Client First (客戶至上):** The Group always puts its clients first. The Group develops and maintains long-term relationships of trust with its clients by truly safeguarding their interests and satisfying their needs.
- **Integrity (至誠至信):** The Group builds its franchise upon the utmost professional integrity and highest ethical standards. The Group values its franchise and never compromises on integrity.
- **Chinese Roots and International Reach (植根中國，融通世界):** As a China-based global investment bank, the Group is proud of its Chinese roots and of its international DNA. It bridges China and the world by providing best-in-class services to clients at home and abroad.

### Recent Development

#### *The Outbreak and Spread of COVID-19*

Since the outbreak of COVID-19 in January 2020 and with the continuous spread of COVID-19, the Group has actively responded to and resolutely implemented the requirements of the "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the PBOC, the MOF, the CBIRC, the CSRC and the SAFE, and strengthened the financial

support for epidemic prevention and control, including underwriting certain bonds issued for the event. COVID-19 has affected, and will continue to affect, the global economic outlook and enterprise operations. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. In 2020, confronted with the impact of the global spread of COVID-19 pandemic as well as the complex and harsh market environment, the Group actively coped with the challenges and implemented effective pandemic prevention and control and efficient business management. It maintained a rapid businesses development and continuously improved its operating efficiency.

The Group will continuously monitor the development of COVID-19 and assess any significant impacts of COVID-19 on the business operations, financial condition and results of operations. See “*Risk Factors – Risks Relating to the Group’s Business and Industry – Changes in the general economic and market conditions in China and other jurisdictions where the Group operates could materially and adversely affect the Group’s business, financial condition, results of operations and prospects*” and “*Risk Factors – Risks Relating to the Group’s Business and Industry – Any future occurrence of force majeure events, natural disasters, terrorist attacks or outbreaks of contagious diseases may have a material adverse effect on the Group’s business operations, financial condition and results of operations*” for further information.

#### ***Business Integration between the Company and CICC Wealth Management***

On July 11, 2021, the Board of Directors considered and approved the *Proposal regarding Further Integration of Relevant Business between China International Capital Corporation Limited and China CICC Wealth Management Securities Company Limited*, pursuant to which the Company intends to further realize the business integration between the Company and CICC Wealth Management, a wholly-owned subsidiary of the Company, by transferring the domestic wealth management business of the Company to CICC Wealth Management (the “**Business Integration**”).

The specific plan for the Business Integration is as follows: the Company will transfer 20 securities branches (including their assets and liabilities) engaged in domestic wealth management business to CICC Wealth Management, and will transfer other clients, businesses and contracts related to domestic wealth management business to CICC Wealth Management. Upon completion of the Business Integration, the Company will carry out investment banking business, equities business, fixed-income, commodities and currencies business, asset management business and private equity investment business in the capacity of the parent company, while CICC Wealth Management will carry out wealth management business in the capacity of the subsidiary. The no-objection letter on the Business Integration plan has been obtained from the CSRC.

The Business Integration is to accelerate the transformation and upgrading of the wealth management business of the Group, and to lay a solid foundation for building a first-class international investment bank and a world-class top-notch wealth management platform. The Business Integration will not change the shareholding structure of CICC Wealth Management. Upon completion of the Business Integration, CICC Wealth Management will remain a wholly-owned subsidiary of the Company, and the scope of the consolidated financial statements of the Company will remain unchanged. The Business Integration will not have a material impact on the profit or loss for the period in the consolidated financial statements of the Company.

#### ***Establishment of the Asset Management Subsidiary***

On April 19, 2021, the Company announced that in order to further seize business opportunities and build a leading asset management platform, the Company intends to establish a wholly-owned asset management subsidiary (“**Asset Management Subsidiary**”) and apply for the mutual fund manager license. The above resolution has been considered and approved by the 2020 annual general meetings of the shareholders on May 18, 2021. The Company has submitted the application to the CSRC. The Asset Management Subsidiary shall be established upon the approval of the CSRC.

## The Group's Business Model

The Group's products and services are classified into the following segments:

- **Market leading investment banking business.** The Group provides investment banking services, including equity financing, debt and structured financing and financial advisory services, to domestic and overseas corporations and institutional clients. The Group has built the leading investment banking franchise in the PRC. The Group actively grasps the opportunities in the primary market, consolidates its advantages in benchmark projects, and explores innovative financing instruments, so as to provide all-round financing services for deepening the supply-side structural reforms and accelerating the development of the new economy.
- **Leading equities business.** The Group provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions. The Group has an experienced institutional sales, deal execution and product design team covering brokerage services, capital-based intermediary services, and product services to institutional investors. The Group believes that it has attained a leading position among all PRC securities firms in serving QFII and RQFII clients. The Group actively expands institutional coverage, improves its product innovation capabilities, strengthens cross-border business presence, promotes systems development and digitalization, and endeavours to provide the one-stop comprehensive financial services covering “sales, trading, investment and research, products and cross-border business” for domestic and foreign professional investors.
- **Comprehensive FICC business.** The Group provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities. The Group has a diverse and growing client base for its FICC business that includes commercial banks, insurance companies, mutual funds, QFIIs, hedge funds, trust companies, asset management companies, finance companies and corporations.
- **Diversified asset management business.** The Group designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business. The Group has a fully licensed and diversified investment management platform that serves institutional clients, high-net-worth clients and retail clients. The Group's main product offerings include corporate annuities and collective pension plans, government venture capital funds, stock economic reform funds, US funds of funds, US equity investment funds, RMB equity investment funds and M&A funds, as well as other cross-border and alternative products.
- **Industry-leading private equity investment business:** the Group designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds and infrastructure funds. The Group maintains industry-leading position. On the basis of sound business foundation, the Group positively strengthens cooperation with multinational corporations and large-sized industrial groups, and continues to deepen business presence in key regions. The Group seeks to accelerate the construction of a unified and open management platform to realize resource concentration and management collaboration internally and to form an open platform ecosystem externally.
- **Top-tier wealth management services.** The Group provides a wide range of wealth management products and services, consisting of transactional services, capital services and product allocation services, to retail clients, families and corporate clients. The Group is a pioneer in the PRC in



introducing an advice-driven service model for wealth management services, providing tailored products and services to high-net-worth clients, and it continues to differentiate itself by its highly regarded asset allocation research capabilities.

Since its formation in 1995, the Group's business has experienced significant growth. As at June 30, 2021, the Group is a full-service investment bank with an extensive network of over 200 securities branches located in 29 provinces and municipalities across China and offices in seven international financial hubs, including Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo.

For the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021, the Group's total revenue and other income amounted to RMB22,782.5 million, RMB32,401.8 million, RMB14,292.6 million and RMB19,479.4 million, respectively; the Group's profit attributable to shareholders of the Company amounted to RMB4,238.7 million, RMB7,207.5 million, RMB3,051.8 million and RMB5,007.0 million, respectively. For the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021, the Group's total expenses amounted to RMB17,541.3 million, RMB23,656.4 million, RMB10,493.4 million and RMB13,394.3 million, respectively; the Group's operating expense ratio<sup>11</sup> was 45.9%, 46.2%, 46.8% and 42.8%, respectively.

The Group continuously maintained a relatively stable asset structure, a satisfactory asset quality and a healthy liquidity. As at June 30, 2021, the Group's total assets amounted to RMB618,076.8 million, representing an increase of RMB96,456.3 million or 18.5% compared with that at the end of 2020. As at June 30, 2021, the Group's operating leverage ratio<sup>12</sup> rose to 6.7x, as compared with 6.3x as at December 31, 2020. The gearing ratio was relatively steady. As at June 30, 2021, after excluding the impact of accounts payable to brokerage clients and to underwriting clients, total assets of the Group amounted to RMB531,469.0 million; the gearing ratio of the Group was 85.1%, representing an increase of 1.1 percentage points compared with 84.1% at the end of 2020.

As at June 30, 2021, the Group's total liabilities amounted to RMB539,089.9 million, representing an increase of RMB89,284.5 million or 19.8% compared with that at the end of 2020. After deducting accounts payable to brokerage clients and to underwriting clients of RMB86,607.7 million, the Group's total liabilities amounted to RMB452,482.2 million, representing an increase of RMB73,332.0 million or 19.3% compared with that at the end of 2020.

As at June 30, 2021, the Group's total equity attributable to shareholders of the Company amounted to RMB78,797.8 million, representing an increase of RMB7,162.8 million or 10.0% compared with that at the end of 2020.

### **Competitive Strengths**

The Group believes that the following strengths have contributed to its success and its status as a premier investment bank in the PRC:

#### ***Strategic Establishment with Solid Government Support and Outstanding Shareholder Background***

Approved by the PBOC in July 1995, the Company was the first joint venture investment bank in the PRC established with a strategic partnership among prestigious Chinese and international financial institutions. Since its establishment, the Group was tasked to play a key part in the economic reform and development of PRC's financial industry, which was vital to the development of the PRC capital markets as well as to the implementation of the SOE reform.

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<sup>11</sup> operating expense ratio = operating expenses (excluding fee and commission expenses and interest expenses) / total revenue and other income

<sup>12</sup> operating leverage ratio = (total assets – accounts payable to brokerage clients and to underwriting clients) / equity attributable to shareholders of the Company



The Group's unique role as the leading Chinese investment bank, together with the strong government support it receives, has enabled it to take the lead in the development of the PRC financial markets. Developing over the past two decades, the Group has become a top tier full-service investment bank in China. Attributable to its unique mission and position, the Group has achieved excellent results in the past two decades.

Through its strategic cooperation with the PRC Government, regulators and numerous SOEs, the Group has cemented its position as a flagship investment bank in the PRC, and has also become an invaluable adviser to the PRC Government. From time to time, the Group provides valuable advice to the PRC Government and regulatory authorities, such as the Ministry of Finance, NDRC, CBIRC and CSRC, for the purpose of formulating relevant financial industry regulations and policies. The Group has also spearheaded key projects that are pivotal to the reform of PRC economic policies and SOE ownership. Leveraging its in-depth industry knowledge and product and service competency, the Group has fostered close relationships with the PRC Government and numerous SOE clients, which further solidified its leadership position as a flagship investment bank in the PRC.

The Group's shareholders are prolific and consist of high-profile shareholders with diverse backgrounds, including Huijin, Haier Group, Tencent Holdings, Alibaba Group Holding and I&G as well as other well-known domestic and international institutions. Huijin is the Group's largest shareholder with a direct and indirect shareholding of approximately 40.17% of the Group as at August 31, 2021. Huijin is a state-owned investment company established in December 2003 and mandated to exercise the rights and the obligations as a contributor in major state-owned financial enterprises on behalf of the PRC Government. While maintaining Huijin's position as the largest shareholder, the Group also keeps pace with the times to introduce diversified strategic shareholders, explore new business opportunities and inject new vitality for future development. The Group's substantial shareholders Haier Group, Alibaba Group Holding and Tencent Holdings have a shareholding of approximately 8.26%, 4.49% and 4.48% of the Group as at August 31, 2021, respectively. The Group believes that it can benefit from the diverse backgrounds and broad and strategic vision of its shareholders to strengthen the Group's corporate governance, broaden its access to resources and increase its international influence.

### ***Premier Brand and Unique Culture***

The Group has established a premier brand in the financial services industry. Since the inception, the Group has drawn on advanced management model of world-class investment banks and combined with best practices in China, and has always adhered to the business philosophy of "By the People and For the Nation" (以人為本，以國為懷), "Professionalism and Diligence" (勤奮專業), "Innovation and Entrepreneurship" (積極進取), "Client First" (客戶至上) and "Integrity" (至誠至信), which won the Group a market reputation at home and abroad. For years, while maintaining high-standard practices, the Group has actively participated in reforms and system construction of the capital market to stimulate business innovation. The Group maintained leading positions in many businesses for years, and was honored numerous awards as the best player in China.

In 2021, the Group was awarded the Best Investment Bank in China, the Best ECM House in China and the Best Broker in China in Country Awards 2021 by Finance Asia; the Asian Bank of the Year, the China Equity House, the Best Equity Issue (Alibaba Group's US\$12.9bn Hong Kong Secondary Listing) and the Best Renminbi Bond (AIIB's Rmb3bn 2.4% Panda bond due 2023) in IFR Asia Awards 2020 by IFR; the Best Bank for Green Bonds, the Best SME Services Bank and Best Wealth Management Provider in Stars of China Awards 2021 by Global Finance; the All-Asia Most Honored Companies (Rank 2), All-Asia Best IR Program (Combined Rank 2) and All-Asia Best ESG (Combined Rank 2) in Banks Sector of All-Asia Executive Team Awards 2021, the Best Investor Relations – Investment Grade (Rank 1) and Best Use of Debt – Investment Grade (Rank 1) in Asian Financials/Banks Sector of Global Fixed-Income Investor Relations Awards 2020 by Institutional Investor; the Best Wealth Manager in China (Services for Entrepreneurs) in China Wealth Awards 2020 by Asian Private Banker; the Top Broker of the Year in Stock Connect Awards 2020 by HKEX; the Best Research Team in Golden Central Awards 2021 by Zhitong Finance; the Top 10 Investment Banks Most Respected by Listed

Companies, IPO Investment Banks Most Respected by Listed Companies, M&A Investment Banks Most Respected by Listed Companies, Bond Investment Banks Most Respected by Listed Companies and ECM Department Most Respected by Listed Companies in the 2nd Most Respected Investment Bank by Listed Companies Awards by Securities Times; the Best ABS Manager, Best Interest Rate Bond Underwriter and Best Contribution for Bond Trading Mechanism in Outstanding Institutions and Individuals in Bond Market Awards 2020 by Shenzhen Stock Exchange; the Best Investment Bank, Best Equity Underwriter, Best IPO Underwriter, Best Refinancing Underwriter, Best Equity Underwriter for STAR Market, Best Equity Underwriter for GEM, Best Bond Underwriter, Best Credit Bond Underwriter (Investment Bank Category), Best Bond Underwriter for Private Enterprises, Best Medium and Long Term Bond Underwriter, Best Corporate Bond Underwriter, Best Financial Bond Underwriter (Investment Bank Category), Best Convertible Bond Underwriter, Best ABS Underwriter, Best Corporate ABS Underwriter, Best ABN Underwriter, Best Credit ABS Underwriter in Wind Best Investment Bank Award 2020 by Wind; the Best Domestic Securities Company for Wealth Management and Best Domestic Family Office in Investment Bank (CICC Global Family Office) in Wealth APAC Awards 2020 by Wealth Magazine; the Best Securities Companies, Best CSR, Best Investor Relations and Best Investment Bank for STAR Market in Best Securities Companies Awards 2020, the Most Contributing Institutions for STAR Market (Service Institutions) and Most Contributing Institutions for STAR Market (Investment Institutions: CICC Capital) in Most Contributing Institutions for STAR Market Awards 2021 by Caijing.

In 2020, the Group was awarded the Best Investment Bank and the Best ECM House in Mainland China and Hong Kong in Country Awards 2020, and the M&A Deal of the Year (PetroChina's US\$49.2 billion Sale of its Pipeline, Gas Storage and LNG Terminal Assets to PipeChina) and the Best Deal of China (PetroChina's US\$49.2 billion Sale of its Pipeline, Gas Storage and LNG Terminal Assets to PipeChina) in Achievement Awards 2020 by Finance Asia; the Asian Bank of the Year, the China Equity House, the Best Equity Issue in Asia of the Year (Alibaba Group's US\$12.9 billion Hong Kong Secondary Listing) and the Best onshore Renminbi Bond in China of the Year (AIIB's RMB3 billion Panda bond) in IFR Asia Awards 2020 by IFR Asia; the M&A Financial Adviser of the Year, the Consumer M&A Financial Adviser of the Year, the M&A Deal of the Year (China Oil & Gas Pipeline Network Corporation (Buyer: PipeChina)) and the Financial Services M&A Deal of the Year (Baoshang Bank (Buyer: Huishang Bank)) in China M&A Awards 2020 by Mergermarket; the Best Listed Companies in Golden Bauhinia Awards 2020 by HK Takung Wenwei; the Best ESG (Buy-Side Rank 1) in 2020 All-Asia Executive Team (Banks Sector), and the Best Investor Relations – Investment Grade (Rank 1) and the Best Use of Debt – Investment Grade (Rank 1) in 2020 Global Fixed-Income Investor Relations (Financials/Banks Sector of Asia) by Institutional Investor; the All-China Best Research Team (ranked by teams – Overall (Rank 1) Firm Leaders, Mainland China (Rank 1) Firm Leaders and Rest of World (Rank 3) Firm Leaders, and the All-China Best Sales Team (Overall (Rank 1) Leaders, Mainland China (Rank 1) Leaders and Rest of World (Rank 3) Leaders) in 2020 All-China Research Team Awards by Institutional Investor & Caixin; the Best Research House for BRI, the Best Chinese Bank in the Region for BRI (Southeast Asia) and the Best Chinese Bank in the Region for BRI (Central and Eastern Europe & Central and West Asia) in the New Silk Road Finance Awards 2020, the Best Firm for Securitization and the Best for CMBS in the China ABS Awards 2020, the Best Securities House in Wealth Management in the China Best Wealth Managers 2020, the Overall Combined Research & Sales, the Best Local Brokerage, the Best for Overall Research, the Best for Overall Sales, the Best for Corporate Access and the Best for Execution in China (A&B Share) in Brokers Poll 2020, the Best Local Brokerage, the Best for Overall Research, the Best for Overall Sales, the Best for Corporate Access and the Best for Execution in China (H-share, Red chip & P-chip) in Brokers Poll 2020, the Best Local Brokerage, the Best for Overall Research (Rank 2), the Best for Overall Sales, the Best for Corporate Access and the Best for Execution in Hong Kong, China (Local Share) in Brokers Poll 2020 by Asiamoney; the Best Entrepreneur Services in the China Wealth Awards 2019 by Asian Private Banker; the Top 1 of Investment Banks in 2020 China's Most Attractive Employers Rankings by Universum; the Top Healthiest Workplace in the Mercer China Healthiest Workplace Awards 2020 by Mercer Marsh; the Best Full-Service Investment Bank, the Best Investment Bank for SSE STAR Market, the Best Investment Bank for Main Board, the Best Brokerage House for Institutional Investor, the Best Deals of

SSE STAR Market (China Railway Signal & Communication IPO), the Best SME Board Deals (CGN Power IPO), the Best Main Board Deals (Postal Savings Bank of China IPO) and the Best M&A Deals (Yunnan Baiyao Merger with Baiyao Holdings) in the Best Investment Bank & Brokerage House in China Awards 2020, the Best Wealth Management Institution and the Best Investment Team of Equity Assets (Equity Investment Team of CICC) in the Best Wealth Management Institution in China Awards 2020, and the Best Poverty Alleviation and Charity Team in the Culture Construction Video Awards 2020 of Security & Fund Industry by Securities Times; the Best Asset Management Institution of the Year, the Best Overseas Asset Management Institution of the Year, the Best Innovative Asset Management Plan of the Year (ICBC CICC USD MONEY MARKET ETF) and the Best Two-year Asset Management Plan (CICC Anxin Huibao, CICC Peizhi, CICC Xinrui) in the Best Asset Management Products Awards 2019, the Top 10 Best Securities Companies, the Best Securities Companies for CSR, the Best Wealth Management Team, the Best Securities Companies for Fintech and the Best Securities Companies for Culture Construction in the Best Securities Company Awards 2020 by China Securities Journal; the Investment Banker of the Year (Huang Zhaohui, CEO of CICC) and Chief Economist of the Year (Domestic) (Peng Wensheng, Chief Economist of CICC) in the China Financial Value Ranking 2020 by YICAI; the Best Investment Bank for IPO (Rank 1), the Best Investment Bank for Overseas Market (Rank 1), the Best Investment Bank for TMT (Rank 1), the Best Investment Bank for Medical Health Care (Rank 1), the Best Investment Bank for STAR Market (Rank 2), the Best Investment Bank for Innovation (Rank 2), the Best Equity House (Rank 2), the Best Bond House (Rank 3), the Best Investment Bank in China (Rank 3), the Best Investment Bank for M&A (Rank 3), the Best Investment Bank for Refinancing (Rank 4), the Best IPO (PSBC (Rank 1), China Zheshang Bank (Rank 2), CGN Power (Rank 3)), the Best STAR Market IPO (China Railway Signal & Communication Corporation (Rank 1), Kingsoft Office (Rank 2), Montage Technology (Rank 3)), the Best Overseas Deals (Alibaba's HK Listing (Rank 1), COFCO Property's Acquisition of Joy City Property (Rank 2), Pinduoduo's US Follow-on Offering (Rank 3)), the Best Follow-on (BOC's Non-public Offering of Preferred Shares (Rank 1), ICBC's Non-public Offering of Preferred Shares (Rank 2)), the Best Corporate Bond (CREC's 2019 Corporate Bond (Rank 2)), the Best Convertible Bond (CMET's Convertible Bond (Rank 3)) and the Best ABS (Jianyuan 2019-11 RMBS (Rank 1)) in the 13th Best Investment Bank in China Awards by New Fortune; the Best for Sustainable Development and Green Initiative in the Evergreen Awards 2019 by Caijing; the Best Charity Award in the China Benefit Corporation Award 2020 by Tencent; the Best Securities Company for Asset Management, the Best Institution for High-net-worth Clients Service CSR Pioneer Awards 2020, the Best Enterprises for Charity Innovation in the International Pioneer Financial Institution Awards 2020 by International Financial News; the Best Securities Company for Responsible Investment in the China ESG Golden Awards 2020 by Sina; the Best Equity Underwriter, the Best IPO Underwriter, the Best Refinancing Underwriter, the Best Preferred Shares Underwriter, the Best Bond Underwriter, the Best Credit Bond Underwriter (Investment Bank Category), the Best Corporate Bond Underwriter, the Best Financial Bond Underwriter (Investment Bank Category), the Best ABS Underwriter, the Best Corporate ABS Underwriter, the Best ABN Underwriter, the Best Credit ABS Underwriter and the Best Convertible Bond Underwriter in the Wind Best Investment Bank Award 2019 by Wind; the Top 100 Best PE Institutions in China (CICC Capital (Rank 5)), the Top 10 Best Equity Investment Institutions of Investment Bank in China (CICC Capital (Rank 1)), the Top 10 Best Investment Institutions for Science and Technology Innovation enterprises in China (CICC Capital), the Top 10 Best PE Investors in China (SHAN Junbao, CEO of CICC Capital), the Top 30 Best Institutions on Internet/Mobile Internet Investment in China (CICC Capital), the Top 30 Best Institutions on Health Care Investment in China (CICC Capital), the Ten Billion Club in China's Equity Investment Market (CICC Capital), the Top 10 Lead Underwriters of Domestic Listing of Chinese Enterprises (Supported by VC/PR) (Rank 2) and the Top 10 Lead Underwriters of Overseas Listing of Chinese Enterprises (Supported by VC/PR): CICC HK (Rank 3) in the China Venture Capital & Private Equity Ranking 2020 by Zero2IPO Group; the Top 50 Best Domestic PE Institutions (CICC Capital (Rank 3)) and the Top 10 Best PE Investment Institutions of Investment Bank in China: CICC Capital (Rank 2) in the CV Awards 2019, the Top 20 Most Favored PE Institutions for LP (CICC Capital (Rank 3)) and the Top 20 Most Favored PE Institutions for GP (CICC Capital (Rank 4)) in the CV Limited Partner Awards 2020 by China Venture; the Top 10 Best Chinese Equity Investment Institutions for Fighting Against COVID-19 (CICC Capital), the Top 30 Best Return FOF Managers (CICC Capital (Rank 1)) and the Top 30

Best Return PE Institutions (CICC Capital (Rank 3)) in the China FoF Award 2020 by China FoF alliance; the Top 20 Best PE Institutions in China (CICC Capital) in the China PE/VC Awards 2019-2020 by Caixin; the Best Plan Manager & Underwriter of the Year and the Special Contribution Institutions of the year in the Frontiers Awards 2020 by China ABs Forum; and the Best Viewer's Choice Award for WAIC 2020 by World artificial Intelligence Conference Committee.

In 2019, the Group was awarded the China Awards of “Best Investment Bank”, the “Best M&A House”, the “Best Structured Finance Deal” (Suning Yunchuang RMB4.9 billion asset-backed securitization) and the Achievement Awards of the “Deal of the Year” (Alibaba's US\$11.2 billion Hong Kong IPO), the “Best Equity Deal” (Sea Limited US\$1.6 billion NYSE follow-on offering), the “Best IPO” (Han soh Pharmaceutical's US\$1 billion Hong Kong IPO) and the “Best Deal in China” (China Railway Signal RMB 10.5 billion A-share STAR Market IPO) by Finance Asia; the “China Equity House” by IFR Asia; the Triple A Country Award for “Best Equity” (China East Education Holdings US\$632 million Hong Kong IPO), the “Best Bank Capital Bond” (China Construction Bank US\$1.85 billion tier 2 capital bond), the “Best Local Currency Bond” (Bank of China RMB40 billion perpetual capital bond), the “Best Domestic M&A Deal” (China Merchants Group Acquisition of Liaoning Port Group) and the “Best IPO (Singapore)” (Prime US REIT US\$632 million IPO) by The Asset; the 2018 Equity Capital Markets Awards of the “ECM Deal of the Year in CEE, Russia and the CIS: Kazatomprom US\$4.49 million IPO (Rank 1)” and the “Privatization of the Year: Kazatomprom US\$449 million IPO (Rank 2)” by Global Capital; the China M&A Awards 2019 of the “M&A Financial Adviser of the Year”, the “Mid-Market M&A Financial Adviser of the Year 50-300 million USD” and the “Pharmaceuticals, Medical and Biotech M&A Financial Adviser of the Year” by Mergermarket; the Golden Bauhinia Awards 2019 of the “Best Listed Company” by HK Takung Wenwei; the 2019 All-Asia Executive Team (Bank Sector) awards of the “Most Honoured Companies” (Rank 3), the “Best CEOs” (Bi Mingjian (Buy-Side Rank 1/Combined Rank 2)), the “Best CFOs” (Wong King Fung (Buy-Side Rank 2/Combined Rank 3)), the “Best Corporate Governance” (Rank 3) and the “Best ESG/SRI Metrics” (Rank 3) by Institutional Investor; the 2019 All-China Research Team Awards of the “All-China Best Research Team” (ranked by analysts) (Analyst Leaders: Overall (Rank 1), Mainland China (Rank 2) and Rest of World (Rank 1)) and the “All-China Best Sales Team” (The Leaders: Overall (Rank 1), Mainland China (Rank 1) and Rest of World (Rank 1)) by Institutional Investor & Caixin; the China Corporate and Investment Banking Awards 2019 of the “Best for Domestic M&A” and the “Best for Cross Border Equity Capital Markets”, the New Silk Road Finance Awards 2019 of the “Best Overall Research House for ‘Belt and Road’ Initiative”, the “Best Chinese Bank in the Region for ‘Belt and Road’ Initiative (Central and Eastern Europe & Central and West Asia)”, the China Asset-Backed Securities Awards 2019 the “Most Innovative House of Securitization Business”, the China Best Wealth Managers 2019 the “Best Securities House in Wealth Management”, Asiamoney 30th Anniversary Brokers Poll of Polls of the “Best Local Brokerage in China”, and the Brokers Poll 2019 the “Overall Combined Research & Sales” (A&B Share), the “Best Local Brokerage” (A&B Share), the “Best for Overall Research” A&B Share), the “Best Local Brokerage” (H-share, Red chip & P-chip), the “Best for Overall Research” (H-share, Red chip & P-chip), the “Best Overall Sales Services” (H-share, Red chip & P-chip), the “Best Local Brokerage” (Hong Kong, China (Local Share)), the “Best Overall Research” (Rank 2) ( Hong Kong, China (Local Share)) and the “Best Overall Sales Services” (Hong Kong, China (Local Share)) by Asiamoney; the Macallan ALB Hong Kong Law Awards 2019 of the Lewis Sanders Award Investment Banking In-House Team of the Year” and the StarMine Analyst Awards 2019 (Mainland China & Hong Kong) of the “Top Most Award-Winning Brokers” (Rank 2) by Refinitiv; the Stock Connect Awards 2019 of “Top Broker” by the HKSE; the “List of 50 Top Multinational Leaders 2019” (Bi Mingjian) and the Global 2000 List 2019 of the “World's Best Employers” by Forbes; the “China's 30 Most Powerful Investors 2019” (Ding Wei) by Fortune China; the China Wealth Awards 2019 of the “Best Wealth Manager in China (Ultra High Net Worth Services)” and the “Best Wealth Manager in China (Entrepreneur Services)” by Asian Private Banker; the 2019 China's Most Attractive Employers Rankings of “Top 1 Investment Banks” by Universum; the 2019 Duty of Care Awards of “ innovation Honourable Mentions” by International SOS; the Best Investment Bank in China Awards 2019 of the “Best Full-Service Investment Bank”, the “Best Financial Advisory Investment Bank”, the “Best IPO Investment Bank” and the “Best ABS



Investment Bank” by Securities Times; the Best Asset Management Products Awards 2018 of the “Best Asset Management Institution of the Year”, the “Best Asset Management Institution for Corporation Social Responsibility of the Year”, the “Best Innovative Asset Management Plan of the Year: CICC Bloomberg Barclays China Treasury 1-10 Years ETF” and the Best Securities Company Awards 2019 of “Top 10 Best Securities Companies”, the “Best Securities Companies for CSR”, the “Best Wealth Management Team” and the “Best Investment Banking Team” by China Securities Journal; the SCITECH Innovation Awards 2019 of the “Best Investment Bank for STAR Market Service Equity Investment Value Ranking 2019”, the “Market-oriented FOF of the Year: CICC Capital Best Securities Analyst 2018” and the “Best Research Institution” by YICAI; the Best Member Awards 2018 of the “Best Non-bank Underwriters”, the “Best Non-bank Underwriters for Local Government Bond”, the “Best Investment Bank for Principal Investment Business” and the “Best Market Making and Clearing for Local Government Bond” by CCDC; the 12th Best Investment Bank in China Awards of the “Best Investment Bank for IPO”, the “Best Investment Bank for Overseas Market”, the “Best IPO Projects: PICC”, the “Best Overseas Deals” (Tianhua Institute’s material asset restructuring and raising supporting funds via issuing new shares) by New Fortune; the Achievement Awards of Capital Market 2018 of the “Best A-Share IPO Underwriter in China” by Caixin; the Evergreen Awards 2018 of the “Best for Sustainable Development and Inclusive Finance”, the China Finance Summit Awards 2019 of the “Best Investment Institution: CICC Capital” and the Best Analyst Awards 2019 of the “Best Research Institution” by Caijing; the Wealth APAC & China Award 2019 of the “Best Securities Company for Wealth Management” by Wealth Magazine; the Financial Poverty Alleviation Awards 2018 of the “Best Targeted Poverty Alleviation Institutions” by China.org.cn; the China Benefit Corporation Award 2019 of the “Best Charity Award” by Tencent; the Charity and Poverty Alleviation Awards 2019 of the “Best Enterprises for Charity Innovation” and the Corporate Social Responsibility Awards 2019 of the “Best Enterprises in China for Technology and Innovation” by Ifnews; the China ESG Golden Awards 2019 of the “Best Securities Company for Responsible Investment” by Sina; the China FoF Award 2019 of the “Best Return FoF Manager in China CICC Capital” and the “Top 10 Most Outstanding Persons of FoF Institutions in China” (Ding Wei from CICC Capital) by China FoF Alliance; and the “Outstanding Organization Award for 2019 WAIC” by the World Artificial Intelligence Conference Committee.

These awards are illustrative of the Group’s esteemed reputation and recognized brand value in the PRC financial markets. The Group’s brand name and reputation enable the Group to both attract and retain clients and employees. Its brand name also helps the Group win high-profile mandates, as the Group’s clients trust that it will be able to successfully execute their most important transactions. The Group’s strong market reputation helps it win regulatory support for its new products and services. Such procurement of high-profile mandates and regulatory support further strengthen the Group’s market-leading position and reputation.

The Group regarded the brand cultivation and cultural building as key measures to continuously enhance its market leading position. Leveraging its franchise and core values of professionalism, entrepreneurship and pursuing excellence, the Group continued to attract outstanding talents and new clients, expand its business scope and capture important business opportunities while maintaining the stability of existing employees and clients.

Since establishment 25 years ago, the Group has always attached great importance to the construction of corporate culture and continuously enabled its corporate culture to play its positive role in boosting business development. In 2020, the Group organized a series of seminars and interviews related to corporate culture, so as to learn from the practices of other leading industry players, further sort out and enrich the connotation of its corporate culture, and strive to refine its representation. In the meantime, by combining online and offline activities, and by carrying out diversified forms of activities such as series lectures on “Culture · Knowledge and Practice” and “CICC Reading Club”, the Group has constantly enriched the cultural development and exchange activities, and strengthened the cognition of its corporate culture.

### ***High-quality and Loyal Customer Base Spanning a Multitude of Industries***

The Group has explored an extensive and profound client base with high quality. Relying on its excellent service quality and professional service capabilities, the Group has formed a profound client base covering a wide range of large-sized enterprises, high-quality emerging growth companies, professional institutional investors and growing wealth management clients that play important roles in the national economy and capital market. The Group can provide its clients with complicated, diversified and high-quality business services through its integrated and customized cross-border platform. The Group has developed long-term cooperation with clients and are dedicated to providing them with a comprehensive suite of products and services.

The Group wins its clients' loyalty through its deep engagement, industry expertise and thorough understanding of their businesses. This is due to the fact that the Group's clients always entrust the Group to handle their strategically important and sophisticated transactions. The Group is proactively developing relationships with high-quality emerging companies with growth potential, which are the key driving forces of the PRC's economic growth. The Group also develops client relationships across a diverse range of industries. Its investment banking client base encompassed a large number of companies in various industries including but not limited to financial services, energy, telecommunications, transportation, metallurgy, technology, healthcare, real estate, materials industry, agriculture, manufacture, education, service industry and consumer products. As an example, the Group has been advising a telecommunications operator for over 20 years on various projects including but not limited to IPO and follow-on offering, bond underwriting, acquisition advisory, mixed ownership reform and segregated account services.

The Group has maintained a leading position in the A-share stock market. In 2020, the Group closed a total of 32 A-share IPOs acting as the lead underwriter, with an aggregate lead underwriting amount of RMB62.4 billion, ranking second in the market; the Group also closed a total of 19 A-share refinancing projects acting as the lead underwriter, with an aggregate lead underwriting amount of RMB40.4 billion, ranking fourth in the market. In the first half of 2021, the Group closed a total of seven A-share IPOs acting as the sponsor, with an aggregate sponsored amount of RMB13,111 million, ranking fourth in the market. The Group closed 14 A-share follow-on offerings as the lead underwriter, with an aggregate lead underwriting amount of RMB35,078 million, ranking second in the market.

The Group has also maintained a leading position in the Hong Kong stock market, and has furthered its edges in Hong Kong equity financing deals. In 2020, the Group sponsored a total of 13 Hong Kong IPOs acting as the sponsor, with an aggregate amount of US\$5.4 billion, ranking second in the market; the Group closed a total of 29 Hong Kong IPOs acting as the global coordinator, with an aggregate lead underwriting amount of US\$6.2 billion, ranking first in the market; the Group also closed a total of 33 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US\$4.0 billion, ranking first in the market. In 2020, the Group closed 22 transactions of follow-on offerings and sell-downs for Hong Kong stocks acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$2.8 billion, ranking sixth in the market. During the first half of 2021, the Group closed a total of ten Hong Kong IPOs acting as the sponsor, with an aggregate amount of US\$2,555 million, ranking fourth in the market; the Group also closed a total of 15 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US\$1,966 million, ranking second in the market.

In addition, the Group actively participates in the U.S. primary market. In 2020, the Group closed a total of seven US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$1.3 billion, ranking fifth in the market; the Group also closed six U.S. follow-on offerings and sell-downs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$3.0 billion, ranking fourth in the market. During the first half of 2021, the Group closed a total of eight US IPOs of PRC-based companies acting as the bookrunner, with an aggregate lead underwriting amount of US\$1,256 million, ranking third in the market.

The Group believes its diversified institutional investor client base distinguishes the Group from its peers. The Group's equities business has diverse institutional clients consisting of QFIIs or RQFIIs, QDIIIs, commercial banks, insurance companies, mutual funds, pension funds, sovereign funds, hedge funds, private equity funds, listed companies and national asset management companies. The Group was one of the first PRC securities firms to serve QFII or RQFII clients and believes that it has attained a leading position among PRC securities firms in serving QFII or RQFII clients. The Group's equities business has maintained a leading over QFII coverage in the domestic market for 18 consecutive years, and a leading trading market share in fund and insurance clients' Hong Kong stock business. In the offshore market, the prime brokerage business scale of CICC Hong Kong continued to grow with increasing product diversification. The Company once again won the "Most Active Broker Award" in the Stock Connect Awards of Hong Kong Stock Exchange. In the first half of the year, the Group's Singapore trading platform has been actively prepared. The overseas team executed a number of primary and secondary market projects, and the amount of financing exceeded the level of last year.

As a pioneer among PRC securities firms in serving high-net-worth individuals, the Group has built an excellent high-net-worth client base. As at June 30, 2021, the number of the Group's wealth management customers reached 4.11 million with total customer assets of RMB2,788,221 million, among which, there were 29,098 high-net-worth customers with total assets of RMB728,436 million.

***Pioneer in China Investment Banking Industry with Outstanding Cross-Border Capability and Distinct International DNA***

The Company was the first joint venture investment bank in the PRC. Since its establishment, the Group has adhered to the international best practices in terms of business operations, corporate governance, and talent and culture cultivation. By providing high quality cross-border products and services to both domestic and overseas clients, the Group believes that it is the most influential PRC-based investment bank with distinct international DNA.

Capitalizing on its distinct international DNA and first mover advantage in pursuing international strategy, the Group has formed outstanding cross-border business capabilities with a leading position in the cross-border arena, thus proactively playing its role in serving cross-border capital transactions and promoting the mutual opening of financial markets.

In terms of international presence, the Group has established overseas operations and business activities in seven financial centres across Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo, which are managed by respective business lines vertically, so as to fully mobilize domestic and overseas resources including research, people and products, thus providing one-stop cross-border services for its clients. The seamless connection among its domestic and overseas businesses equipped its teams with both domestic and overseas business experience. The substantial majority of members of the Group's investment banking and research teams have obtained qualifications for domestic businesses and businesses in several overseas regions.

In terms of cross-border business, the Group has been serving the "introduction" and "going global" needs of industrial capital and financial capital, which enabled the Group to enjoy certain advantages in businesses such as overseas IPOs for PRC-based companies, offshore bond offerings, and cross-border mergers and acquisitions, to sustain strong growth in emerging businesses such as cross-border transactions and the "Connect" business and to maintain the leading market in terms of transaction volume of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect business, thereby strengthening the influence of PRC-based institutions in the international market. In addition, the Group has continued to enhance cross-border business capabilities and international presence through the acquisition of Krane Funds Advisors in the United States.

In 2020, with the support of national policies and the guidance of medium and long-term development goals, the Group's business segments achieved rapid growth. Its network and customer coverage were further strengthened, its product and customer service capabilities continuously improved, its business



collaboration and digital transformation achieved positive results, and its research and information technology foundation was further strengthened. The Group has continued to explore into domestic market and develop strong cross-border advantages, and strive to enhance its franchise and market influence, so as to significantly accelerate its growth in both scale and strength.

Due to the Group's leading investment banking franchise in the PRC and its diversified source of revenue from both onshore and offshore clients, it has consistently achieved high rankings in the league tables across various products. In 2019, the Group ranked first in the PRC M&A market, with a market share of approximately 13.9%. In 2020, the Group again ranked first in the PRC M&A market with a market share of approximately 30.8%, further expanding its market leadership. In the first half of 2021, the Group ranked first in the PRC M&A market with a market share of approximately 17.9%. Over the past two decades, the Group has been the lead bank on many large and complex transactions and it has received numerous prestigious awards in recognition of the leadership and achievements of its investment banking business.

### ***Rapid and Sustainable Growth Underpinned by Strong Innovation Capabilities***

The Group was established as an innovative step to reform the PRC's capital markets. The Group's corporate culture of openness and collaboration create an environment for creative solutions, product innovation and sustainable growth. The Group's high-calibre professionals, their vision and extensive experience have enabled the Group to react promptly to market pulses and to provide innovative products and services in order to meet client needs.

The Group's innovation capabilities have contributed to its success in investment banking. At various stages in the PRC's economic development, the Group has provided creative solutions to both regulators and its clients. The Group has led the development of the PRC's capital markets by completing many precedent-setting transactions. The Group led the execution of the first issuance off-balance-sheet asset-backed securitization product by a state-owned enterprise through overseas public offering (China State Construction International, 2019), the first onshore perpetual bond product issuance (Bank of China, 2019), the first large-scale offshore bond exceeding US\$1 billion in 2019 issued by Chinese companies, the first convertible bond offering in home appliance product sector (Haier, 2019), the first H-share convertible bond issuance of a private enterprise (Hec Pharm 2019), the first-ever new media company to be listed on the A-share market through restructuring (Mango Excellent media, 2019), the first H-share IPO of building material industry enterprises in the past ten years (YCIH, 2019), the first IPO of PC prefabricated construction company in global capital market (Board Homes, 2019), the first IPO of Hong Kong based biotech company under Chapter 18A (Sinomab, 2019), the first company to complete a secondary listing under new HKSE rules (Alibaba, 2019), the country's first Euro sovereign bond issuance in 15 years (Ministry of Finance of the People's Republic of China, 2019), the first public issuance of corporate bonds by a local state-owned asset management company (Zhongyuan, 2019), the first H-share IPO of medical device company under Listing Rule 18A (Venus Medtech, 2019), the first SOE listed on the SSE STAR Market (CRSC, 2019), the first SSE STAR Market IPO of memory chip design company (Giantec, 2019), the first A-share listing of a company with weighted voting rights structure and the first cloud company A-share listing (UCloud, 2020), the first A-share listing of a company with no revenue and profit generated and the first company listing on the SSE STAR Market applying the 5th set of listing standards (Zelgen, 2020), the first Chinese InsurTech US IPO (Huize, 2020), the first A-share IPO of an AI chip design company (Cambricon, 2020), the first A-share domestic brand focusing on coagulation (Succeeder, 2020), the first listing with H-share full circulation upon completion of IPO (Nongfu Spring, 2020), the first vertical SaaS stock listed on the HKSE (Ming Yuan Cloud, 2020), the first convertible bonds in automobile assembly manufacture industry since 2018 (Prielli, 2020), the first company to complete A-share listing through a red-chip structure (CR Micro, 2020), the first transaction by an A-share listed company to privatize a Hong Kong listed company with its newly issued H shares as consideration and simultaneously realize H-share listing (Haier, 2020), and the first sovereign bonds adopting rules of Reg S and 144A since the resumption of foreign currency sovereign bond issuance in 2017 (Ministry of Finance of the People's Republic of China, 2020). In 2020, the Group also assisted the AIIB in its first RMB financing in China, assisted the Agricultural

Bank of China in issuing the first small and micro financial bond related to pandemic prevention and control among large state-owned banks, assisted Orient Asset Management in issuing the first non-fixed term capital bond of a non-bank financial institution, completed the IDC infrastructure revenue rights ABS for Sino-Ocean UNIQcloud which was the first new infrastructure revenue rights ABS in the market, and completed the bad asset-backed securities for TECO which was the first bad asset-backed securities of a non-bank financial institution. In terms of offshore products, the Group was the only PRC-based investment bank participating in the issuance of foreign currency sovereign bonds by the Ministry of Finance of China acting as the lead underwriter and bookrunner for 4 consecutive years. In addition, the Group assisted the Paris Branch of Bank of China in issuing the first blue bonds in the Asia-Pacific region, and assisted Pirelli in issuing overseas convertible bonds with an amount of EUR500 million. In 2020, the Group participated in the privatization of Haier Electrics through issuing H shares by Haier Smart Home and listing on the Hong Kong stock market by way of introduction, representing the first privatization of an A-share company through issuing H shares and listing on the Hong Kong stock market by way of introduction; the Group also participated in the mixed reform of China Eastern Airlines, marking the first case of ownership diversification reform at the centrally-owned group company level under the three-year state-owned enterprise reform action plan. In 2020, the Group actively promoted the margin trading and securities lending business for qualified foreign institutional investors, and reported the first order for QFII refinancing securities lending in the market. Since the introduction of the carbon neutrality target, the Group has taken the initiative in completing the issuance of the first batch of carbon neutrality bonds by China Energy Investment Group Co., Ltd. and China Huaneng Group Co., Ltd. on the Shanghai Stock Exchange. In 2020, the Group acted as the lead underwriter for China's first "carbon neutral" green financial bond issued by China Development Bank to global investors.

In the first half of 2021, in the field of infrastructure publicly-offered REITs, the Group assisted GLP China and Shanghai-Hangzhou-Ningbo Expressway (滬杭甬高速) in completing the issuance of the first batch of infrastructure publicly-offered REITs. In the field of carbon neutrality bonds, the Group assisted the National Energy Group, Beijing Infrastructure Investment Co., Ltd., Shenzhen Metro and other companies in completing the issuance of the first batch of carbon neutrality corporate bonds on the stock exchanges. In addition, the Group assisted Wens in completing the largest convertible bond offering by A-share listed and non-financial private enterprises, and assisted Oriental Wealth Information in completing the largest convertible bond offering on the Growth Enterprise Market. In the overseas market, the Group assisted Alibaba in completing the largest USD bond offering by PRC-based companies during the year, and assisted new economy companies such as NIO, Leading Ideal, and MicroPort in completing multiple milestone overseas convertible bonds offerings. The Group's innovation capabilities also catalyze the growth of its other business lines. For example, when PRC companies started to list overseas in order to attract international investors, the Group was the first among PRC securities firms to provide sales and trading services to overseas institutional clients. As the PRC economy grows and the demand for high-end asset allocation products and services increases, the Group made use of this opportunity and was the pioneer in establishing a wealth management business to provide customized financial advisory services to high-net-worth individuals. Having served many clients in the insurance industry and gained expertise in the relevant areas, the Group also became one of the first securities firms qualified to act as investment managers for insurance companies and enterprise annuity plans. Overall, the Group's strong performance coupled with its innovation capabilities has helped it achieve organic growth and synergy across multiple business lines.

Owing to the Group's innovation capabilities, the total AUM of the Group grew steadily, with a 39.2% increase from RMB1,174,679 million by the end of 2020 to RMB1,634,891 million as at June 30, 2021. RMB160,932 million and RMB191,815 million, respectively, of this was attributable to AUM in relation to share of profits of associates and joint ventures (jointly-invested) as at December 31, 2020 and June 30, 2021. RMB1,013,746 million and RMB1,443,076 million, respectively, was attributable to AUM in relation to fee and commission income (wholly-owned) as at December 31, 2020 and June 30, 2021.

The Group expects that PRC regulatory authorities will further encourage innovation and creativity in the PRC capital markets, which will provide more opportunities to the Group. By leveraging its overall strength and solid experience in providing creative solutions to clients, the Group believes that it will continue to capture future market opportunities.

### ***Leading and Influential Research and Advanced Information Technology Capabilities***

Research is an important foundation for the Group's business. The Group's talented and experienced international research team has provided objective, independent, prudent and professional research services for domestic and overseas clients through its research platform covering the global markets.

The Group's research team focuses on global markets and serves clients both at home and abroad through its offices and platforms across the world. The scope of the Group's research products and investment analysis ranges from macro economy and market strategy to fixed income, financial engineering, asset allocation, equities and commodities. As at June 30, 2021, the Group employed a team of more than 240 highly experienced, high-caliber professionals and covered more than 40 sectors and over 1,200 companies listed on stock exchanges in the PRC, Hong Kong, New York, Singapore, Frankfurt, London and Paris. Leveraging its strong international platform, its research team also excels at overseas and cross-border research.

The Group's research business has focused on the global market, and provided comprehensive research services and investment analysis covering macro-economy, market strategy, fixed income, asset allocation, stocks, commodities and derivative products for domestic and foreign customers. These research products were widely recognized by the investors at home and abroad for their independence, objectivity and thoroughness.

In 2020, a number of in-depth research reports aroused strong response from the market, and remarkable business development results were achieved driven by research. CICC Global Institute was established as a new think tank to contribute more CICC research wisdom to public policy-making and financial market development.

The Group's research capabilities have been widely recognized by influential international institutions. These included the "No. 1 Overall Country Research for China" in the Asiamoney Brokers Poll, which marked the 15th consecutive year of its championship in this poll from 2006 to 2020. The Group were also named the "No.1 The All-China Best Research Team" by Institutional Investor for nine consecutive years from 2012 to 2020.

The Group also considers information technology as a core component of its competitiveness. The Group has a sound IT governance structure and the industry-leading independent research and development capabilities. The Group has developed three basic technology systems regarding basic transactions, products and services, and risk control and operation management, to provide complicated whole-process and end-to-end financial products and services for clients and various business units as well as global support of comprehensive business operation and management capabilities. The Group has adopted self-developed and industry-leading core business systems and platforms with stable operation. The Group will continue to promote its business development based on information technologies. With the continuous advancement of information technologies in recent years, the Group has also increased capital investment in and attached importance to talent training and capacity building, continued to optimize its organizational structure and operating model, and proactively researched and explored the application of new technologies in various business areas of investment banks, so as to promote the integration of businesses and technologies. Capitalizing on the advantages brought by the booming development of China's financial technologies, the Group has actively carried out strategic cooperation with China's leading technology companies to develop new products, businesses and models with data and technology.

In June 2020, the Company and Tencent set up a joint venture financial technology company named Jinteng Technology, which set a precedent in the domestic securities industry. Jinteng Technology and CICC Wealth Management jointly carried out targeted marketing to affluent customers through data-based operations, in an attempt to explore a new operational model combining both online and offline activities. As such, the Group can provide more convenient, intelligent and differentiated wealth management solutions, enhance the service efficiency of investment consultants, optimize precision marketing and drive the accelerated transformation and scalable development of the Group's wealth management business.

In 2020, the Group's IT organizational structure was further improved. The Group established dedicated teams to support main business lines to strengthen business interaction and integration, and to enhance the response capability and efficiency IT personnel. The front, middle and back office information systems were further enhanced to fully improve the Group's online and digital operation and management level, and to support the plan for remote and shared office. The Group seized the opportunities arising from digital transformation to accelerate the optimization of IT governance system, the construction of integrated management platform and the integration of system and data. Therefore, the supporting capability and driving effect of science and technology for business development were continuously enhanced.

In the first half of 2021, the Group published more than 7,264 research reports in English and/or Chinese. On top of numerous sector and company reports, the Group also assembled a series of thematic reports, such as China Infrastructure REITs Research Series (中國基礎設施REITs系列研究), Digital Banking: Reshaping of Service Provision Capabilities (數字銀行：重構金融供給能力), Seeking Opportunities in Logistics Sector under Dual Circulations (立足內外循環，掘金物流行業). These research products show the Group's profound understanding of China. The superior quality and extensive coverage of its research reports have earned the Group the reputation as the "China Expert".

#### ***Enhanced Capital and Asset-liability Management and Diversified Funding Sources Contribute to Sound Financial Flexibility***

The Group's enhanced capital and asset-liability management allows it to effectively deploy its capital and prudently manage its balance sheet while the Group's diversified financial sources and abundant credit facilities allow it to maintain a high level of financial flexibility. The Group has steadily established a comprehensive business mix consisting of "two bases and six pillars" business lines, namely, investment banking, equities, FICC, private equity, asset management and wealth management, with the strong support of research and IT. The overall business structure is in good shape and therefore provides the Group the ability to serve clients in an all-round manner. All of the Group's business lines have established advantageous positions in relevant segments, which laid a solid foundation for the future development of the Group, and provided the Group with the potential to further increase the added value of services.

- **Comprehensive vertical capital management system:** The Group has established a comprehensive vertical capital management system utilizing a system of management policies, decision-making authorities and review procedures. Through the system, the Group formulates its overall capital planning, allocation and adjustments in a proactive and dynamic manner to support its sustainable growth while ensuring its financial efficiency and stability.
- **Optimized asset-liability management:** The Group adopts the following methods to optimize its asset-liability management: (i) proactive management of asset and liability mismatch to enhance dynamic capital management, internal pricing mechanism and asset and liability structure; (ii) setting limits on the scale of assets and liabilities of the Group's business lines and closely monitoring their balance sheets; and (iii) performing liquidity stress tests on the Group's fund position for liquidity risk control management.

- **Diversified financing sources:** The Group has diversified financing sources to support its sustainable growth domestically and internationally. In addition to the funding that the Group raised through its initial public offering in Hong Kong in 2015 and the listing of A Shares in Shanghai Stock Exchange in 2020, the Group constantly broadened and diversified its funding channels to optimize the liability structure. The financing instruments of the Group include perpetual subordinated bonds, subordinated bonds, corporate bonds, financial bonds, syndication loans, short-term commercial papers, beneficiary certificates, USD-denominated medium-term notes, structured notes, inter-bank borrowings and REPOs. In addition, the Group may finance through follow-on offerings, rights issues and other ways according to market conditions and business needs. See “*Capitalization and Indebtedness*” for the details of the indebtedness of the Group and the Hong Kong Group.
- **Abundant credit support:** The Group also has abundant credit support from a large group of mainstream PRC banks and international banks. As at June 30, 2021, the unutilized credit facilities of the Hong Kong Group amounted to HK\$30.0 billion (from more than 20 banks). The Group utilizes the credit facilities strategically to take advantage of its global resources.

#### ***Efficient Management Model and Prudent Risk Management Mechanism***

The Group has established an efficient and reasonable management model and a comprehensive and prudent risk management mechanism. Since establishment, the Group has adhered to the concept of combining best international practices with the actual conditions of China, formulated a full set of governance structure and management procedures in line with international standards, and established a vertical management model covering business operations and internal control of the Group to ensure efficient and effective management. At the same time, the Group has always adhered to and continuously strengthened the “all staff, whole process, full coverage and penetrating” risk control compliance system and operating mechanism, through which the parent company can conduct integrated vertical management over domestic and overseas subsidiaries and branches, and the same business and the same client can be subject to unified risk management. Therefore, the Group has formed centralized and effective business management and risk control, and unified decision-making, management and resources allocation, thus ensuring the smooth and orderly development of its business and the stable operation of its risk control system.

#### ***Experienced Management and High-quality Workforce***

The Group has a senior management team with global perspectives and entrepreneurship, and a high-quality workforce with full licenses at home and abroad.

Rooted in its international DNA, most members of the Group’s senior management team have work experience in domestic and overseas financial institutions with global perspectives. Meantime, they have experienced the main development course and multiple cycles of China’s securities industry, and are equipped with rich experience and profound understanding regarding domestic and overseas capital markets and the securities markets. Riding on the concept of “Chinese Roots and International Reach”, the Group’s senior management team has constantly combined advanced management experience with the practices of China’s financial reform, and took the lead in developing new products and vigorously exploring new markets.

The Group’s excellent brand and high-quality platforms enabled the Group to recruit the best graduates from top domestic and overseas universities, providing the best talents for its domestic and overseas branches. Its sound staff development and training system have provided comprehensive and systematic training for employees at different levels and positions, thereby continuously enhancing professional capabilities of its workforce and equipping them with practice capabilities to obtain full licenses. Meanwhile, riding on the advanced international experience, the Group has developed advanced talent selection and cultivation mechanism combining incentives in line with market benchmarks, thereby



maintaining a large number of outstanding talents to support the long-term sustainable development of the Group. Through the above measures, the Group has developed high-quality workforce to support its rapid, healthy and sustainable development.

### **Business Strategies**

The Group's success comes from its ability to stay ahead of the market trends and provide innovative solutions to its clients. The accelerated economic transformation and development, the continual implementation of the opening-up policy, and the reform and innovation of the capital market have laid a solid ground for further development of the securities industry, and have provided fertile soil for the rise of the Company as a first-class international investment bank. As one of the most influential Chinese investment bank in the international capital market, the Group has acted in response to the trend and clearly put forward the medium and long-term strategic goal of "building a world-class investment bank". In the past year, the Group steadily forged ahead with the execution of various strategic measures, with priority given to medium and long-term development, market share and revenue growth.

The Group will focus on the "Three+One" strategies, i.e. "digitization, regionalization and internationalization" and "One CICC", and strive to enter a higher stage of development in terms of both scale and quality by increasing resource investment, improving network layout, accelerating transformation and development, and consolidating the middle and back-office capabilities.

The Group expects that its strategy will solidify its leading position, achieve attractive growth and enhance shareholder value. In particular, the Group intends to implement the following business strategies:

#### ***Client: Improving Network Layout and Expanding Customer Coverage***

Client service is always the Group's first priority. The Group will further promote regional penetration, accelerate the construction of localized teams, comprehensively expand customer and business coverage, strengthen business collaboration and intensify the function of the headquarters, so as to create an agile and efficient service model. In line with national strategies, the Group will endeavor to increase investment in international resources, strengthen its presence in international financial centers, diversify its business operations and expand its business scale. In the meantime, the Group will expand its footprints along the "Belt and Road" with the focus on the Southeast Asia regions, and promote synergies between research, investment banking and investment businesses.

#### ***Product: Stay Innovative and Focus on Client Facilitation***

The Group's product strategy serves its client strategy. In addition to strengthening its fee-based products and services, the Group intends to focus on facilitating its clients' trading and deal execution needs by developing capital-based products and services such as balance sheet-based products and services. In the primary market, the Group plans to offer asset securitization and other asset-liability management products and services, high-yield bonds, acquisition financing and leveraged buyouts. The Group also intends to expand its offerings of tailored OTC products and enhance its design capability for non-standard financial products to meet its clients' needs. In the secondary market, the Group plans to enhance its prime brokerage capabilities to provide a comprehensive suite of services to hedge funds and other professional investors. The Group plans to strengthen its derivatives, futures and other financial product development capability to address the increasing sophisticated needs from its clients. The Group plans to allocate dedicated resources to new products and services within each business line. The Group will also continue to focus on fostering a genuinely open and collaborative culture and to encourage communication and cooperation among different product groups to achieve sustained product innovation.

Based on the strategy of serving the real economy, the Group will further increase the capital base, optimize the allocation of financial resources, and improve its balance sheet utilization capability and efficiency.

***Risk Management: Optimize the Corporate Governance Structure and Management System to Enhance Effectiveness and Comprehensiveness***

The effectiveness and breadth of the Group's risk management is key to its success. The Group is exposed to various risks including market risks, credit risks, liquidity risks, operational risks, compliance risks, IT risks, legal risks and reputational risks. The Group intends to further optimize its corporate governance structure to streamline its risk management process. The Group will continue to improve its policies and procedures to more closely monitor and proactively manage its risk exposures. The Group will also promote the culture of risk awareness by developing risk awareness training programs.

The growth of its capital-based business imposes additional demands for financial resources management. The Group intends to upgrade its financial resource management system, or an FRM system, to meet this challenge. A key function of such an FRM system is to better manage the overall capital raising and capital allocation across its organization. The Group also intends to implement additional measures such as stress tests to improve its capital and liquidity management.

***Business Development: Consolidate Leading Advantages of Institutional, High-end and Crossborder Businesses, Accelerate Expansion of Retail, Asset Management and Other Emerging Businesses, and Continuously Expand the Coverage and Influence of CICC Research at Home and Abroad***

The Group strives to integrate the capabilities and resources of its different business segments and to establish "One CICC".

In terms of investment banking business, the Group will continue to adhere to national strategies to seize opportunities brought by market reforms, support the development of real economy and improve service capabilities with focus on core customers from all areas of new economies to ensure its leadership in major transactions.

- In equity financing, the Group will continue to closely following the policy direction of the central leadership, serve major national strategies, and continue to promote the healthy development of investment banking business. The Group will capitalize on the continuous deepening of the registration system reform, strengthen penetration into industry segments, and deepen its presence in emerging industries to build its franchise. The Group will also firmly implement regional strategies, particularly in industrial cluster areas, expand the coverage of regional leading enterprises and new economy players, and increase customer base and project pipeline.
- In debt and structured financing, the Group will closely follow regulations and policies, strengthen the layout of industrial bonds and high-yield bonds, cultivate high-yield bond capabilities and make further efforts in key business areas such as the second batch pilots of publicly-offered REITs, panda bond business and green financial bonds. The Group will build a full-cycle service chain for credit bond, build a professional team, optimize team functions, and actively explore debt management and credit repair business opportunities. In addition, the Group will further implement the regional strategy and strengthen regional development and execution capabilities by improving the incentives and evaluation mechanism.
- In financial advisory services, the Group will continue to keep keen on the changes in the capital market environment and trend, strengthen the research on regulations and policies, enhance the coverage over and services for key target customers, and seize new opportunities for industrial mergers and acquisitions through early research, judgment and deployment.

In terms of equities business, the Group will continue to serve national strategies under the new pattern of "dual circulation", accelerate the pace of transformation and upgrading, rely on a professional customer base to continuously promote product service innovation and cross-product line collaboration,



create an integrated business platform for domestic and overseas, on-exchange and OTC businesses, aiming to help achieve the medium and long-term development goals of the Company and the equities business.

In terms of FICC business, the Group continue to promote business transformation, enhance its comprehensive customer service capabilities, and develop a first-class market-making platform for FICC products cross-border, cross-market and cross-platform. The Group will continue to strengthen risk control to achieve better returns, and form a risk control mechanism in line with business development. The Group will further strengthen its capabilities in creating various financial products to diversify product lines and enlarge product scale. The Group will improve its cross-border business capabilities to accelerate international presence, and step up digital development to build a first-class FICC fin-tech platform.

In terms of asset management business, the Group will continue to actively respond to national policy guidance, center on the development goal of building a world-leading all-round asset management institution, seize major development opportunities of the industry, and continuously consolidate asset management business capabilities. The Group will promote the construction of the investment and research system, continue to optimize the product layout, enrich product portfolios, facilitate the building of financial technology, expand customer coverage, enlarge the scale of international business, vigorously promote business development, and improve the comprehensive financial service solution for customers.

In terms of mutual fund business, the Group will focus on hybrid funds and bond funds under active management and ETF products. With the goal of building stable investment capabilities, it will continue to build track record, and optimize customer experience; continue to cultivate investment research teams, to enhance the core competitiveness of investment research; continue to penetrate and serve the retail market, strengthen the development of institutional business, and increase investment in online third-party operations; continue to actively build mutual fund REITs pipeline and improve asset operation capabilities; at the same time, taking advantage of One CICC to contribute to improving the Group's overall asset management and comprehensive service capacities.

In terms of private equity investment business, the Group will continue to adhere to the basic concept of pursuing growth in prudent and steady paces. Catering for the requirements of shareholders and the needs of its own development and committed to serving the national strategic layout of "14th Five-Year Plan", the Group will capitalize on opportunities from the stock economy reform of China and development of new economies to implement its strategies of internationalization, regionalization, digitization and "One CICC", consolidate the platform to effectively leverage its own advantages and create long-term solid investment returns for investors. The Group will further strengthen its advantage in terms of scale of assets under management and expand its market presence. With corporate equity funds as the starting point, the Group will strengthen cooperation with local governments, industrial groups and ultra-high-net-worth individuals, and make strategic investments in emerging industries and accelerate the implementation of carbon-neutral funds to closely follow China's Goals of Carbon Peak and Carbon Neutrality; the Group will take the establishment of US dollar fund as a key task, select professional teams, and mobilize platform resources to build a flagship US dollar fund of the Group; give full play to the advantages of fund of funds products, deploy resources to establish new funds with leading industry players and local government platforms, and accelerate the completion of the fundraising and investment of existing funds; continue to strengthen investment research support for business teams and contributors in the field of emerging industries with strategic importance; start with single – project M&A funds, and gradually transform to market-based leveraged buyouts with focus on corporate spin-offs and cross-border mergers and acquisitions of PRC-based companies, and in the meantime constantly cultivate the post-investment capabilities of the platform; focus on the expansion of infrastructure funds and real estate funds, and actively explore the development of secondary investment funds and special opportunity funds; continue to optimize the revenue structure by increasing capital investment; promote the digital strategy of "business empowerment and value creation" to enhance

customer experience and employee experience; taking advantages of “One CICC” platform, continue to promote cross-departmental cooperation and further strengthen inter – departmental business synergy; continue to strengthen risk control management and unified management and control of business platforms.

In terms of wealth management business, the Group will continue to lead the business model transformation toward buy-side investment advisory among securities firms, develop and strengthen asset allocation products, and guide customers to “save long-term money” and serve customers with value. Meanwhile, in terms of integration with CICC Wealth Management, the domestic wealth management business of the Company will be integrated into CICC Wealth Management to realize full business integration. In addition, CICC Wealth Management will fully implement a fully agile and innovative organizational model to fully release organizational productivity. Finally, the Group will continue to invest in the construction of financial technology, consolidate the digital foundation, gradually promote the construction of major strategic platforms, and deepen cooperation with the digital ecosystem.

In the meantime, the Group will take the opportunity of digital transformation to promote the centralization of customer data and information sharing, strengthen the interaction between various business segments, provide comprehensive solutions based on customer demands, create an upgraded version of “One CICC”, and realize the normalization of cross-departmental cooperation.

***Domestic and International Coverage: Deepen Local Penetration and Expand International Footprints to Strengthen the Group’s Cross-Border Capabilities and Accelerate the Pace of Internationalization***

The market has witnessed increasing demands for cross-border products and services. In most of its business lines, the Group has identified significant cross-border opportunities. The Group plans to allocate resources to pursue such opportunities. Specifically, the Group will (i) improve its existing professionals’ international expertise and increase the recruitment of talent globally, (ii) further build up its overseas IT systems and accelerate the integration of its global operation platform, (iii) improve its cooperation with overseas business partners with resources strategically important to the Group and (iv) enhance communication with domestic and foreign regulators to support its business expansion and execution.

The Group will deepen regional penetration in the PRC, to provide more timely and high-quality financial services to serve local economic development, industrial restructuring and household needs for wealth management through the close cooperation between business lines and regional outlets.

The Group will vigorously increase investment in overseas markets and strengthen its presence in international financial centres, while expanding footprints along the Belt and Road regions through both organic growth and M&A opportunities, to build cross-border capabilities comparable to world-class investment banks.

The Group will continue to strengthen its cross-border strengths by enhancing its global network, diversifying its cross-border service offerings, developing cross-border full-service capabilities and actively engaging in international competition to strengthen its presence in the related fields.

***Technology and Infrastructure: Promote Digital Transformation to Drive Growth***

The Group’s IT systems are critical components of its business. The growth of its client base and the increasing volume, frequency and complexity of the transactions the Group handles impose additional challenges on its IT infrastructure and operations systems. A state-of-the-art IT system has become a key competency requirement for investment banks, especially in a time of rapid and continuous technology innovation.

The Group's goals are to (i) build a robust, scalable, and integrated IT platform to support its business operation with superior efficiency and security, (ii) improve its clients' user experience and (iii) effectively facilitate its system's risk management function.

The Group has developed the road-map for digitalization and set up agile teams to digital transformation of the Group steadily. By focusing on the initiatives of accelerating the application of financial technology, improving the IT governance system, promoting the middle and back-office digitization and creating the CICC ecosystem, the Group will increase investment in resources to ensure the smooth implementation of various initiatives. The Group is committed to establishing a customer-centric, data-driven and AI-based business model, to speed up business development through big data, cloud computing, AI and other technologies.

***Talent and Culture: Attract, Cultivate and Retain Talent, Promote the Group's Unique Culture and Build an Inclusive and Cohesive Corporate Culture***

The Group's people are its core assets and its corporate culture bonds its people together. The Group will continue to invest in its people and attract, cultivate and retain talent. The Group will continue to promote its core values and maintain a spirit of partnership. The Group wants its employees to share its success. To accomplish this, the Group plans to implement an effective equity incentive program subject to applicable laws and regulations. The Group will also strive to build a supportive working environment for its employees by providing career guidance, professional training and personal care.

The Group will further improve corporate governance, improve the internal management system, and enhance the effectiveness and efficiency of its management. In the face of the complex and changing market environment, the Group will comprehensively strengthen the risk control and compliance management, intensify the risk control awareness of all staff, and stick to prudent and steady business operations. The Group will continue to improve the organizational assessment and incentive mechanism, further strengthen corporate culture, and enhance the work efficiency and cohesion of its teams. More efforts will be made to develop new work modes and to improve the online organization management capability.

The Group will also adhere to its human capital strategy, continue to invest in human capital to bring in the best people and expand the talent pool to meet the needs of business development. In the meantime, it will try to promote extensional development, actively seek domestic and foreign cooperation opportunities inside and outside the industry, speed up its actions in making up for the weakness, expand the scale and increase the market share, and improve its market position and influence.

**Milestones in the Group's History**

The Group has been a pioneer among PRC securities firms in various aspects. Set out below is a list of key milestones in the founding and development of the Group.

<b>Year</b>	<b>Event</b>
1997 . . . . .	<p>The Group established its first overseas subsidiary, CICC Hong Kong, through which it became the first PRC securities firm conducting securities underwriting business in Hong Kong.</p> <p>The Group completed its first overseas IPO project, the IPO of China Telecom (Hong Kong) Limited (currently known as China Mobile Limited) on the HKSE, which marked the beginning of the restructuring and overseas listing of large SOEs directly under the PRC Government, and was also the largest IPO in Asia in 1997 as well as the largest IPO of PRC-based companies ever up until the end of 1997.</p> <p>The Group established its Research Department and released its first research report published to international investors.</p>

<b>Year</b>	<b>Event</b>
1999 . . . . .	The Group was one of the earliest PRC securities firms that commenced securities brokerage business in Hong Kong.
2002 . . . . .	The Group obtained approval from the CSRC to conduct asset management business.
2004 . . . . .	<p>The Group was the first securities firm designated by the NSSF as an investment manager.</p> <p>The Group was among the first batch of sponsor institutions approved by the CSRC.</p> <p>The Group established its Fixed Income, Commodities and Currency Department, and was one of the earliest securities firms to conduct fixed-income business domestically.</p>
2005 . . . . .	The Group was one of the first two securities firms to obtain qualification to serve as investment manager of the assets of enterprise annuity funds from the then Ministry of Labour and Social Security of the PRC.
2007 . . . . .	<p>The Group was one of the first two securities firms to obtain approval from the CSRC under its pilot scheme to conduct private equity investment.</p> <p>The Group was the first securities firm to obtain QDII qualification from the CSRC.</p> <p>The Group established CICC US Securities, which was licensed by the US Financial Industry Regulatory Authority and regulated by the US Securities and Exchange Commission.</p> <p>The Company received an “AA” regulatory rating from the CSRC when the CSRC adopted the rating framework in 2007. The Company has maintained such rating for nine consecutive years since 2007 and from 2017 to 2020.</p> <p>The Group established its Wealth Management Department, and was one of the earliest securities firms to engage in wealth management business.</p>
2008 . . . . .	<p>The Group obtained approval from the PBOC to conduct debt-instrument underwriting business as a lead underwriter.</p> <p>The Group established China International Capital Corporation (Singapore) Pte. Limited which was licensed by the Monetary Authority of Singapore.</p>
2009 . . . . .	The Group established China International Capital Corporation (UK) Limited which was licensed by the UK Financial Services Authority in the following year.
2010 . . . . .	The Group obtained approval from the CSRC to conduct margin financing and securities lending business.
2011 . . . . .	The Group was one of the first securities firms to obtain approval from the CSRC under its pilot scheme to engage in RQFII business.

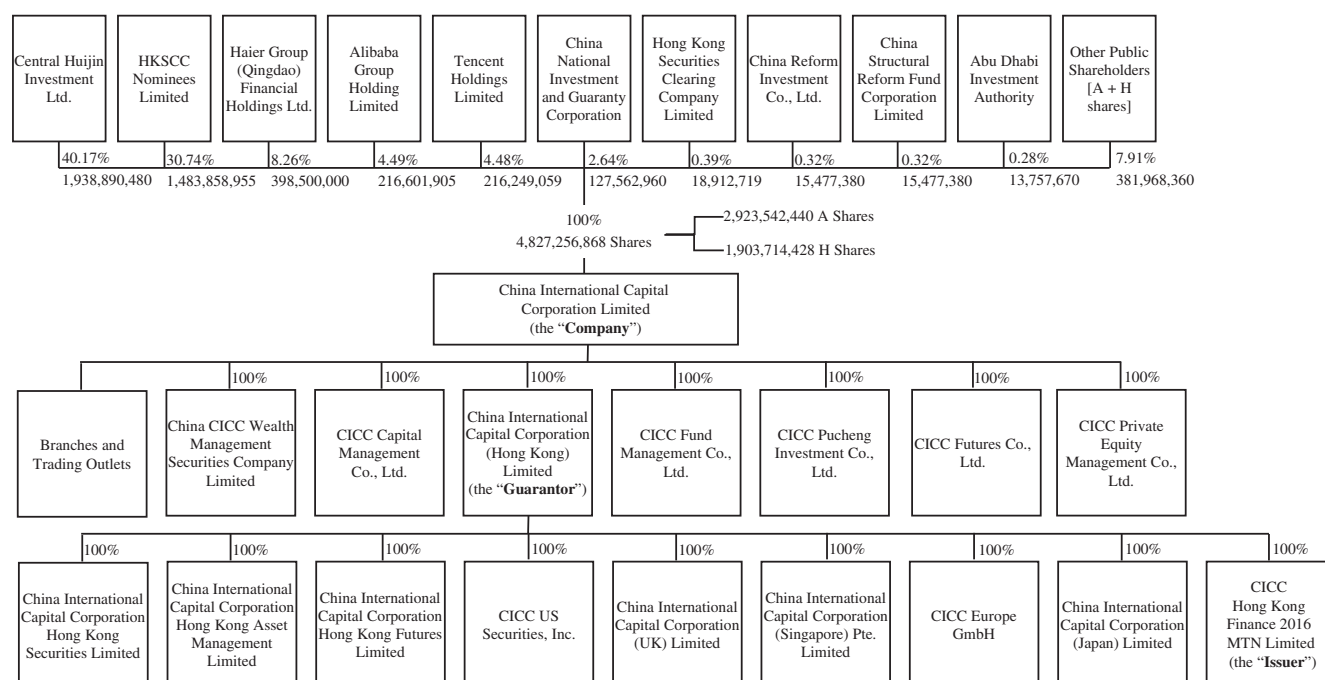
<u>Year</u>	<u>Event</u>
	The Group was the first securities firm to obtain approval from the CSRC to raise and manage private equity funds.
2013 .....	<p>The Group obtained permission from the SAC to conduct OTC derivatives business.</p> <p>The Group obtained the consent from the Shanghai Stock Exchange and the Shenzhen Stock Exchange respectively to conduct stock-based lending business.</p> <p>CICC HK AM obtained QFII qualification from the CSRC.</p>
2014 .....	The Group established CICC Fund Management, which is the first wholly-owned domestic fund company.
2015 .....	<p>The Company was converted into a joint stock company through overall restructuring and set up an effective governance structure comprising of shareholders' general meeting, Board of Directors, Supervisory Committee and senior management. The Group successfully listed and traded on the HKSE Main Board under the stock code of 3908.HK.</p> <p>The Group held its 20th anniversary celebrations in New York, London, Singapore, Hong Kong and Beijing.</p> <p>The Group obtained approval from the CSRC to have the securities investment fund custody business license.</p>
2016 .....	The Company announced the acquisition of 100% of the equity interest in CICC Wealth Management (formerly known as CISC) from Huijin by the issue of 1,678,461,809 shares at an issue price of HK\$11.55.
2017 .....	<p>The Company became the sole shareholder of CICC Wealth Management.</p> <p>The Company announced the introduction of Tencent Mobility Limited as a strategic investor, pursuant to which Tencent Mobility Limited would subscribe for 207.5 million new H shares to be issued by the Company, representing 4.95% of total share capital of the Company upon the issue.</p>
2018 .....	<p>The subscription of the Company's H shares by Tencent Mobility Limited was completed. Tencent Mobility Limited became the Company's second largest shareholder after the subscription. The partnership accelerated the Company's business transitioning towards wealth management with the help of financial technology.</p> <p>The Group set up a Frankfurt office.</p>
2019 .....	The Company entered into a shareholders' agreement with Tencent Digital (Shenzhen) Limited (" <b>Tencent Digital</b> "), an indirect wholly-owned subsidiary of Tencent Holdings Limited with regard to the establishment of a technological joint venture in the PRC, in an aim to drive the accelerated transformation and scalable development of the Company's wealth management business with digital and fintech capabilities.

<b>Year</b>	<b>Event</b>
	<p>The Company allotted an aggregate of 176,000,000 new H Shares to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company, and accordingly, the total issued H Shares and the total issued Shares of the Company increased to 1,903,714,428 and 4,368,667,868 Shares, respectively.</p>
2020 . . . . .	<p>China International Capital Corporation (Japan) Limited, a platform for the Company's exhibition in Japan, was established.</p> <p>The establishment of Jinteng Technology, a professional technology subsidiary jointly initiated by the Company and Tencent, was completed.</p> <p>The establishment of CICC Private Equity, the second private equity fund management subsidiary of the Company, was completed.</p> <p>The Group established CICC Global Institute (CGI), a brand new high-end think tank created under new conditions in the new era. CGI aims to support China's public policy research and decision making, engage in international policy discussion and communication, and contribute to the development of China's financial markets, especially the capital market.</p> <p>China International Capital Corporation (Singapore) Pte. Limited become a member of Singapore Exchange Limited ("SGX").</p> <p>CICC Hong Kong Asset Management launched the first CICC HKD Money Market ETF (HKD counter code 3071.HK).</p> <p>The Company and SGX signed a Memorandum of Understanding on strategic cooperation, pursuant to which the Company and SGX will jointly explore comprehensive and in-depth cooperation in fields of investment banking, equities, FICC, private equity, asset management, wealth management and research, and actively capture the business opportunities in deepened interconnection, cross-border capital introduction, and Chinese companies pursuing access to Singapore capital market.</p> <p>The Company was successfully listed on the Shanghai Stock Exchange under the stock code 601995 and issued 458,589,000 A Shares in the initial public offering and a total of 2,464,953,440 domestic shares held by the original domestic shareholders of the Company were converted into 2,464,953,440 A Shares. Upon completion of the A Share Offering and Listing, the total number of issued Shares of the Company increased to 4,827,256,868 shares, including 1,903,714,428 H Shares and 2,923,542,440 A Shares.</p>



## The Group's Corporate Structure

The following chart sets out the simplified shareholding and corporate structure of the Group as at August 31, 2021:



### Notes:

- (1) Above is the shareholding structure of the Company as at August 31, 2021, which includes directly-owned subsidiaries and other principal subsidiaries.
- (2) Central Huijin Investment Ltd. directly held 1,936,155,680 A shares, and indirectly held 2,734,800 A shares through China Jianyin Investment Ltd., JIC Investment Co., Ltd. and China Investment Consulting Co. Ltd., which are wholly owned subsidiaries of Central Huijin Investment Ltd.
- (3) HKSCC Nominees Limited is the nominal holder of shares on behalf of H shareholders who do not register the shares under their own names. The shareholding number and ratio of HKSCC Nominees Limited have deducted the shares held by Tencent Mobility Limited and Des Voeux Investment Company Limited which are registered under the name of HKSCC Nominees Limited.
- (4) Alibaba Group Holding Limited held 202,844,235 H shares and 13,757,670 A shares through Des Voeux Investment Company Limited and Alibaba (China) Technology Co. Ltd. respectively. Des Voeux Investment Company Limited and Alibaba (China) Technology Co. Ltd. are wholly owned subsidiaries of Alibaba Group Holding Limited.
- (5) Tencent Holdings Limited held 216,249,059 H shares through Tencent Mobility Limited, a wholly owned subsidiary of Tencent Holdings Limited.
- (6) The shares held by Hong Kong Securities Clearing Company Limited refer to shares held by non-registered shareholders of northbound of the Shanghai-Hong Kong Stock Connect.
- (7) CICC US Securities, Inc. is indirectly held by China International Capital Corporation (Hong Kong) Limited.
- (8) Certain percentage figures included in this chart have been subject to rounding.

## The Group's Business

The Group provides a wide range of financial products and services to corporations, institutions, governmental entities and individuals. It has six principal business segments, including:

- **Investment Banking:** provides investment banking services, including equity financing, debt and structured financing and financial advisory services to domestic and overseas corporations and institutional clients;
- **Equities:** provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions;
- **FICC:** provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities;
- **Asset Management:** designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business, etc;
- **Private Equity Investment:** designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds, infrastructure funds, etc; and
- **Wealth Management:** provides a wide range of wealth management products and services, consisting of transactional services, capital services and product allocation services, to retail clients, families and corporate clients.

The following table sets forth the revenue and other income from each of the Group's principal lines of business for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,			
	2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Investment banking .	3,865.2	17.0	6,127.4	18.9	2,422.8	17.0	3,018.9	15.5
Equities . . . . .	4,101.0	18.0	6,881.7	21.2	3,151.1	22.0	5,223.4	26.8
FICC . . . . .	5,663.3	24.8	5,959.9	18.4	3,027.6	21.2	3,141.8	16.1
Asset management . .	619.9	2.7	1,316.3	4.1	435.8	3.1	640.3	3.3
Private equity. . . . .	1,448.0	6.4	2,030.9	6.3	831.6	5.8	1,198.1	6.2
Wealth management .	5,572.8	24.5	8,421.7	26.0	3,534.2	24.7	4,989.8	25.6
Others <sup>(1)</sup> . . . . .	1,512.3	6.6	1,664.0	5.1	889.5	6.2	1,267.1	6.5
<b>Total revenue and other income . .</b>	<b>22,782.5</b>	<b>100.0</b>	<b>32,401.8</b>	<b>100.0</b>	<b>14,292.6</b>	<b>100.0</b>	<b>19,479.4</b>	<b>100.0</b>

Notes:

- (1) Others mainly comprises of other business departments and back offices.
- (2) As at June 30, 2020, based on the Group's strategic layout and needs of internal management, the former Investment Management was divided into and presented as Asset Management and Private Equity. The information of comparative periods (for the year ended December 31, 2019 and for the six months ended June 30, 2020) was restated accordingly.

## ***Investment Banking***

### *Overview*

The Group has built the leading investment banking franchise in the PRC. The Group provides investment banking services, including equity financing, debt and structured financing and financial advisory services to domestic and overseas corporations and institutional clients.

The Group has a high-quality and diverse investment banking client base. Since its establishment in 1995, the Group has focused on serving large companies who are leaders in key industries in the PRC including telecommunications, energy, natural resources, power and utilities as well as financial institutions, providing them with comprehensive and tailored investment banking services. The Group has also successfully expanded its business to serve companies with significant growth potential in various fast-growing industries such as TMT, clean energy, healthcare, consumer products and advanced manufacturing. Leveraging its industry-leading expertise, the Group provides these clients with one-stop investment banking solutions covering various stages of their growth in both domestic and overseas markets.

The Group has also established long-term investment banking relationships with many highly regarded multinational companies. The Group provides them with innovative PRC-related products and services including RMB-denominated bonds and asset-backed securities as well as financial advisory services.

The Group's overseas operations based in Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo and its cross-border execution capabilities have made the Group the investment bank of choice for multinational companies looking to execute PRC-related transactions.

The Group's investment banking team seamlessly serves clients in both the domestic and overseas markets, as well as in cross-border transactions across multiple markets.

### *Equity Financing*

The Group provides equity financing services including IPOs and follow-on equity offerings on multiple boards and exchanges in both domestic and overseas capital markets. The Group receives underwriting fees generally based on a percentage of the amount of equity securities the Group underwrites.

The Group believes that the combination of its strong team, research prowess, effective sales force and innovation capability gives the Group unique competitive advantages in meeting its clients' needs in equity financing. The Group is the leader in the equity financing business.

The Group continues to enjoy advantages in traditional businesses such as finance, energy, military industry, transportation, construction and consumption and in the meantime also enhances its presence and coverage in emerging industries to improve the Group's industry capabilities.

The Group has maintained a leading position in the A-share stock market. In 2019, the Group ranked first acting as the sponsor for global IPOs of PRC-based enterprises in terms of aggregate financing and underwriting amount. In 2019, the Group closed a total of 15 A-share IPOs with an aggregate lead underwriting amount of RMB65,016 million acting as the sponsor, ranking first in the market in terms of aggregate underwriting amount. The Group also closed a total of 18 A-share IPOs with an aggregate lead underwriting amount of RMB40,262 million acting as the lead underwriter, ranking second in the market in terms of aggregate underwriting amount. In addition, the Group closed a total of six A-share refinancing projects with an aggregate lead underwriting amount of RMB7,830 million acting as the lead underwriter, ranking seventh in the market in terms of aggregate underwriting amount. In 2020, the Group closed a total of 32 A-share IPOs acting as the lead underwriter, with an aggregate lead underwriting amount of RMB62.4 billion, ranking second in the market. The Group also closed a total of 19 A-share refinancing projects acting as the lead underwriter, with an aggregate lead underwriting amount of RMB40.4 billion, ranking fourth in the market. In the first half of 2021, the Group closed a

total of 7 A-share IPOs acting as the sponsor, with an aggregate sponsored amount of RMB13,111 million, ranking fourth in the market. The Group closed 14 A-share follow-on offerings as the lead underwriter, with an aggregate lead underwriting amount of RMB35,078 million, ranking second in the market.

The Group maintained a leading position in the Hong Kong stock market. In 2019, the Group sponsored a total of 16 Hong Kong IPOs with an aggregate underwriting amount of US\$8,073 million, ranking first in the market in terms of the number of IPOs and the aggregate underwriting amount. The Group also underwrote a total of 23 Hong Kong IPOs acting as the global coordinator with an aggregate underwriting amount of US\$5,911 million and a total of 30 Hong Kong IPOs acting as the lead bookrunner with an aggregate underwriting amount of US\$4,201 million, both ranking first in the market in terms of the number of IPOs and the aggregate underwriting amount. In addition, the Group also underwrote ten transactions of refinancings and sell-downs for Hong Kong IPOs acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$1,373 million, ranking third in the market in terms of aggregate underwriting amount. In 2020, the Group sponsored a total of 13 Hong Kong IPOs acting as the sponsor, with an aggregate amount of US\$5.4 billion, ranking second in the market, closed a total of 29 Hong Kong IPOs acting as the global coordinator, with an aggregate lead underwriting amount of US\$6.2 billion, ranking first in the market and also closed a total of 33 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US\$4.0 billion, ranking first in the market. In 2020, the Group closed 22 transactions of follow-on offerings and selldowns for Hong Kong stocks acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$2.8 billion, ranking sixth in the market. During the first half of 2021, the Group closed a total of 10 Hong Kong IPOs acting as the sponsor, with an aggregate amount of US\$2,555 million, ranking fourth in the market and also closed a total of 15 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US\$1,966 million, ranking second in the market.

In addition, the Group actively participates in the U.S. primary market. In 2019, the Group underwrote a total of ten US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$422 million, ranking first in the market in terms of deal number and second in terms of aggregate underwriting amount. The Group underwrote one US follow-on offering of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$316 million, ranking seventh in the market in terms of aggregate underwriting amount. In 2020, the Group closed a total of seven US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$1.3 billion, ranking fifth in the market and also closed six U.S. follow-on offerings and selldowns of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$3.0 billion, ranking fourth in the market. During the first half of 2021, the Group closed a total of 8 US IPOs of PRC-based companies acting as the bookrunner, with an aggregate lead underwriting amount of US\$1,256 million, ranking third in the market.

The Group has received numerous major awards in recognition of its equity financing business, see “*Competitive Strength – Premier Brand and Unique Culture*”.

The Group believes that its brand and reputation have helped it to (i) attract new clients and talent as well as retain its existing employees, (ii) win high-profile mandates, as clients entrust to the Group their most complex and important transactions and (iii) win regulatory support for its new products and services and promote them to its clients more effectively.

#### *Debt and Structured Financing*

The Group’s debt and structured financing business has consistently held a leading position in the PRC securities industry in terms of the amount of fixed-income products underwritten. As one of the first investment banks to obtain full-service licenses for underwriting fixed-income products in the PRC, the Group is able to underwrite a full range of fixed-income products including enterprise bonds, corporate bonds, convertible bonds, detachable convertible bonds, exchangeable bonds, short-term commercial papers, medium-term notes, financial bonds, subordinated bonds, offshore bonds, asset-backed securities

and other structured products. The Group receives underwriting fees generally based on a percentage of the offering amount of fixed-income products. The Group believes that its pricing capability and its ability to design innovative products have contributed significantly to the success of its fixed-income underwriting business.

In 2020, the Group closed a total of 821 fixed income transactions, representing a year-on-year increase of 52.0%. Among them, 696 onshore bond underwriting transactions amounted to approximately RMB654.1 billion, and 125 offshore bond underwriting transactions amounted to approximately US\$7.0 billion. In the first half of 2021, the Group closed a total of 457 fixed income transactions, representing a year-on-year increase of 45.5%. Among them, 343 onshore bond underwriting transactions amounted to approximately RMB333.56 billion, and 114 offshore bond underwriting transactions amounted to approximately US\$9.65 billion.

In 2020, the Group continued to promote strategic product innovation, international presence, regional strategy and digital transformation, and proactively built presence in publicly-offered REITs business. In 2020, the Group ranked fourth among securities firms in terms of onshore bond offering amount. In terms of financial bonds, the Group ranked first in the size of perpetual bond issuance to financial institutions. As for asset-backed securities business, the Group ranked second in the market in terms of the underwriting amount of asset-backed securities, and leading the market in several market segments including CMBS, RMBS, and non-performing loan ABS, maintaining its advantage in China's market of innovative structured financing business. In terms of offshore bonds, the Group's underwriting size continued to increase, ranking second among PRC-based securities companies in terms of the overseas debt capital raising amount of PRC-based companies and first among PRC-based securities companies in terms of the underwriting amount of investment-grade USD bond offerings by PRC-based issuers. In the first half of 2021, on the basis of tight risk control, the Group's debt and structured financing business continued to promote business regionalization, international presence and digital transformation, aiming to serve the real economy. In the first half of 2021, the Group ranked fifth in terms of onshore bonds offering amount, third in terms of underwriting amount of asset-backed securities and first in terms of convertible bonds offering amount. In addition, the Group ranked first in terms of underwriting amount, market making amount, strategic investment and research coverage of infrastructure publicly-offered REITs. In terms of offshore bonds, the Group maintained a leading position in the industry and achieved historical breakthroughs, and ranked first in terms of overseas debt capital raising amount and overseas convertible bonds offering amount of PRC-based companies.

In terms of product innovation and milestone deals, in 2020, the Group assisted the AIIB in its first RMB financing in China, assisted the Agricultural Bank of China in issuing the first small and micro financial bond related to pandemic prevention and control among large state-owned banks, assisted Orient Asset Management in issuing the first non-fixed term capital bond of a non-bank financial institution, completed the IDC infrastructure revenue rights ABS for Sino-Ocean UNIQloud which was the first new infrastructure revenue rights ABS in the market, and completed the bad asset-backed securities for TECO which was the first bad asset-backed securities of a non-bank financial institution. In terms of offshore products, the Group was the only PRC-based investment bank participating in the issuance of foreign currency sovereign bonds by the Ministry of Finance of China acting as the lead underwriter and bookrunner for four consecutive years. In addition, the Group assisted the Paris Branch of Bank of China in issuing the first blue bonds in the Asia-Pacific region, and assisted Pirelli in issuing overseas convertible bonds with an amount of EUR500 million. In the first half of 2021, in the field of infrastructure publicly-offered REITs, the Group assisted GLP China and Shanghai-Hangzhou-Ningbo Expressway (沪杭甬高速) in completing the issuance of the first batch of infrastructure publicly-offered REITs. In the field of carbon neutrality bonds, the Group assisted the China Development Bank in completing the largest global public offering of carbon neutrality bonds, and assisted the National Energy Group, Huaneng Group, Beijing Infrastructure Investment Co., Ltd., Shenzhen Metro and other companies in completing the issuance of the first batch of carbon neutrality corporate bonds on the stock exchanges. In addition, the Group assisted Wens in completing the largest convertible bond offering by A-share listed and non-financial private enterprises, and assisted Oriental Wealth Information in

completing the largest convertible bond offering on the Growth Enterprise Market. In the overseas market, the Group assisted Alibaba in completing the largest USD bond offering by PRC-based companies during the year, and assisted new economy companies such as NIO, Leading Ideal, and MicroPort in completing multiple milestone overseas convertible bonds offerings.

The Group has won major awards in recognition of its leading position in the fixed-income products financing business, see “*Competitive Strength – Premier Brand and Unique Culture*”.

#### *Financial Advisory Services*

The Group provides financial advisory services on various types of transactions, including but not limited to M&A, strategic alliance and corporate restructuring. The Group charges advisory fees based on the type, size and specific terms of the transactions.

The Group continues to reinforce its leadership in the M&A business. In 2020, according to Dealogic, the Group announced 90 deals, involving an amount of approximately US\$187.2 billion. Among these transactions, 78 were domestic M&A transactions with a total amount of approximately US\$175.6 billion and 12 were cross-border and offshore M&A transactions with a total amount of approximately US\$11.6 billion. In 2020, the Group ranked first in the PRC M&A market with a market share of approximately 30.8%, further expanding its market leadership. In the first half of 2021, according to statistics of Dealogic, the Group announced 48 deals, involving an amount of approximately US\$51,483 million. Among these transactions, 42 were domestic M&A transactions with a total amount of approximately US\$47,999 million and 6 were cross-border and offshore M&A transactions with a total amount of approximately US\$3,484 million. In the first half of 2021, the Company ranked first in the PRC M&A market with a market share of approximately 17.9%, maintaining an unparalleled market leadership

The Group’s leading position in advising on PRC-related M&A transactions is built upon its high-quality and diverse client base, cross-border expertise, excellent integrated team and superior execution capability. These advantages enable the Group to capture the opportunities arising from evolving trends in the development of China’s economy and the growth of PRC-based enterprises, including but not limited to asset injections into and IPOs of SOEs, restructurings and consolidations in various industries, overseas expansion of PRC-based enterprises, the emergence and growth of private sector companies and further reform of SOEs. The Group’s financial advisory business has achieved global reach and extensive industry coverage evidenced by the numerous landmark PRC and cross-border M&A transactions that the Group has completed.

The Group’s milestone transactions announced in 2020 include:

- Reorganization of PipeChina in a size of US\$108.3 billion: the largest M&A transaction in the world in 2020, involving 13 transaction entities in multiple capital markets and representing another benchmark transaction in reorganization of state-owned enterprises;
- Privatization of Haier Electrics through issuing H shares by Haier Smart Home and listing on the Hong Kong stock market by way of introduction in a size of US\$6.7 billion: the first privatization of an A-share company through issuing H shares and listing on the Hong Kong stock market by way of introduction;
- Mixed reform of China Eastern Airlines in a size of US\$4.6 billion: the first case of ownership diversification reform at the centrally-owned group company level under the three-year state-owned enterprise reform action plan;
- Merger of Yingkou Port by Dalian Port by way of absorption in a size of US\$2.3 billion: the largest transaction of an A+H listed company merging with an A-share company by way of absorption and supported capital raising at the same time;



- Acquisition of China Railway Materials Sheng by Tianjin Faw Xiali Automobile through issuing shares in a size of US\$1.7 billion: realizing the overall listing of China Railway Materials Group, and creating a typical model for large-scale asset reorganization and vitalization of existing assets between central state-owned group companies;
- Reorganization of Chongqing Brewery and Carlsberg China in a size of US\$900 million: integrating core businesses in China by a large multinational group company through innovative joint venture structure and injected into an A-share listing platform to achieve overall listing; and
- BYD Semiconductor's Series A and Series A+ private placements in a size of US\$400 million: introducing over 40 domestic and foreign investors by a key semiconductor company in China.

The Group's milestone transactions announced in the first half of 2021 include:

- Project of Sichuan Transportation Investment and Sichuan Railway Investment's merges into Shudao Investment Group Co., Ltd. in a size of RMB617.4 billion: realizing the reciprocal merger of two super-large local state-owned enterprises through the newly established merger method, and a benchmark transaction for the mixed reform of local state-owned enterprises;
- Project of Xinjiang Tianshan Cement Co., Ltd.'s issuance of shares to purchase assets in a size of US\$27 billion: deepening the supply-side reform of the cement industry and helping build the largest A-share listed company in the cement industry in China;
- Project of Australian recruitment website operator Seek's disposal of controlling interests in Zhaopin in a size of US\$1.1 billion: assisting Australia listed companies and leading PEs in achieving equity sales, an extremely influential sell-side transaction in China's M&A market in the first half of the year;
- Project of Yuexiu Group's privatization of Chong Hing Bank in a size of US\$0.7 billion: the first privatization of a Hong Kong-listed bank by a PRC-based company in the past decade, helping the Greater Bay Area to invest in a coordinated benchmarking project;
- Project of Chongqing Liangjiang Fund's cross-border investment in Polestar in a size of US\$0.6 billion: responding to the national goal of "carbon neutrality", serving local state-owned customers and accurately deploying a milestone transaction in the new energy vehicle industry;
- Project of China Jinmao's strategic investment in China VAST Development through simultaneous acquisition of equity and subscription of convertible bonds in a size of US\$0.32 billion: a representative project of Hong Kong listed companies' strategic acquisition of listed companies through simultaneous and parallel acquisition of equity and subscription of convertible bonds; and
- Project of Cornerstone Capital's disposal of controlling interests in Suzhou Quanyi Health Pharmacy Chain Co., Ltd.: the largest controlling interests transaction in China's pharmaceutical circulation field in recent years, a representative case of RMB M&A funds transferring controlling interests to the leading US dollar funds and achieving exit.

The Group has won major awards for its financial advisory services, see "*Competitive Strength – Premier Brand and Unique Culture*".

## ***Equities***

### ***Overview***

The Group provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter

derivatives, capital introduction and market-making transactions. The Group established an overseas subsidiary in Hong Kong in 1997, and was one of the first PRC securities firms to establish an overseas presence.

The Group's equities business has a large and high-quality institutional client base in the PRC as well as overseas. The Group believes that its equities business is one of the best among the securities firms in the PRC.

The Group is one of the first PRC securities firms to serve QFIIs or RQFIIs and the Group believes it is uniquely positioned to capture their stock brokerage needs. The Group believes that it has attained a leading position among all PRC securities firms in serving QFII or RQFII clients. The Group has a diverse institutional investor client base including all of the top 50 mutual funds by AUM.

In 2020, against the backdrop of significant fluctuations of the global market, for the equities business, the Group continuously improved its comprehensive customer service capacity, actively expanded into new areas and acquired new customer bases, increased the scale and productivity, and paid attention to monetizing business synergy within the department and with other business lines, so as to achieve a win-win outcome. Meanwhile, the equities business continuously enhanced operation management, exercised effective risk control and compliance management, and continuously improved systems and optimized processes to prevent financial risks, accelerated and promoted the systematization and digitalization process, and constructed an all-around business system in an orderly manner. In 2020, the equities business saw a significant year-on-year increase in domestic and overseas business revenues, outperforming the market, with a balanced structure of domestic and overseas, on-exchange and OTC business revenues.

In the first half of 2021, the equities business continued to accelerate the pace of transformation and upgrading, continued to strengthen customer coverage, products and services, and at the same time focused on the cross-departmental synergy, improved integrated comprehensive service capabilities, and continued to scale up business and improve efficiency. The equities business continued to expand the team size, optimized the staff structure, accelerated the process of digital transformation and upgrading, and established a multi-level and all-round three-dimensional risk control and compliance system, so as to lay a solid foundation for the realization of medium and long-term strategic goals. In the first half of the year, all product lines of the equities business maintained strong momentum and the equities business saw a significant year-on-year increase in domestic and overseas business revenue, with a balanced structure of domestic and overseas, on-exchange and OTC business revenues. The Group has won numerous awards for its equities business. The Group was named the Best Broker in China in Country Awards 2021 by Finance Asia, the Best All-China Sales Team from 2012 to 2020 for nine consecutive years by Institutional Investor, the Best Local Brokerage in China from 2004 to 2020 for 17 consecutive years by Asiamoney, the Best Overall Sales Services in China from 2006 to 2020 for 15 consecutive years by Asiamoney, the Overall Combined Research & Sales in China from 2015 to 2020 for six consecutive years by Asiamoney, the Best Brokerage House for Institutional Investor in 2020 by Securities Times, the Top Broker in the Stock Connect Awards by HKEX from 2019 to 2020 for two consecutive years and the Best ETF Liquidity Service Provider by SZSE in 2019.

#### *Institutional Trading Services*

The Group intensifies efforts to improve the products, personnel, and systems for the Equities business, as well as enhanced collaboration with the middle-and-back-office functions, to establish a strong product team. The Group constantly optimizes the control process, along with risk and compliance management to build a unique product platform by combining local knowledge with international perspectives.

In 2020, the Group actively promoted the margin trading and securities lending business for qualified foreign institutional investors, and reported the first order for QFII refinancing securities lending in the market. The Group has deepened and expanded its business in the international market, continuously

strengthened the construction and arrangement of local trading platforms in Hong Kong, Singapore, New York and London. As a result, the Group's sources of revenue from overseas trading activities became increasingly diversified. In 2020, China International Capital Corporation (Singapore) Pte. Limited officially became a member of SGX. The Group implemented the secondary listing in Hong Kong of enterprises with U.S.-listed China concepts stocks and the listing of several global depositary receipt(s) (GDRs) in London. The total number, amount and types of projects in primary and secondary markets implemented by the team in the year were higher than those in recent years. Introducing high-quality foreign institutional investors into various A-share projects became a benchmark in the market. In the first half of 2021, the equities business continued to deepen its efforts in international financial centers such as Hong Kong, Singapore, New York and London, and strengthened development of local trading platforms. At the same time, it gave full play to the advantages of cross-border business and led the market by core business indicators. The equities business has maintained a leading QFII coverage in the domestic market for 18 consecutive years, and a leading trading market share in fund and insurance clients' Hong Kong stock business.

### *Prime Brokerage*

The Group provides brokerage services to sophisticated institutional investors based in or investing into the PRC through its overseas network. In addition, by leveraging its exceptional China capability, the Group provides international clients with better access to the China market. The Group's agency brokerage business adopts a full-service model focusing on research, corporate access, execution and other value-added services, which allows the Group to leverage its strengths to drive better financial performance. The Group provides a wide range of products, including stocks, cash bonds, bond repurchases, funds, ETFs, LOFs and other exchange-traded products on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, OTC markets and the NEEQ as well as the HKSE. The Group receives commissions and fees from its clients based upon negotiated rates. In addition to executing trading orders, the Group provides other value-added services for its trading clients, including data analysis and investment advice guided by its strong research capability, extensive network coverage and deep understanding of capital markets. The Group also generates revenue by serving its clients in capital introduction, investment channel exploration and other areas. In addition, the Group has built an established block trade business to assist its clients in accessing liquidity through its vast distribution network, which the Group believes will be an increasingly important part of the brokerage services business. Most of the Group's overseas brokerage services business is derived from its trading of Hong Kong shares.

A growing number of brokerage market participants are offering largely homogenous services, which puts downward pressure on commission rates. The Group has been proactively exploring new methods of diversifying its stock brokerage business to mitigate this pressure by leveraging its advantages in client base, cross-selling capability, cross-border channels, trade execution across markets, product innovation, execution capabilities, program trading and research capabilities. For instance, since 2007, the Group has started offering A Share block trade services. Benefiting from its strong client base and excellent trade execution capability, the Group believes it has maintained a leading position among PRC securities firms in this fast-growing segment.

The Group's prime brokerage services include margin financing and securities lending services, total return swaps, stock-based lending, asset custodians and hedge fund administration services. The Group obtained qualification from the CSRC in November 2010 for the margin financing and securities lending business, and commenced such business in December 2010. The Group offers margin financing services to brokerage clients who wish to leverage their investments. The Group lends securities to its brokerage clients, enabling them to capture potential short-selling opportunities. The Group commenced its synthetic financing business with total return swap products in 2013. The Group enters into total return swap transactions with its qualified clients, through which the Group and qualified clients agree to conduct income swap in accordance with the agreed notional principal amount and return rate within a fixed period in the future. The term of its total return swap transactions is mostly less than one year. The return of its clients under such swaps is linked with the performance of the subject assets including

stocks indexes and other securities. The Group charges its clients the pre-determined return rate based on a comprehensive assessment of several factors including the cost of capital, market liquidity, supply and demand of products and the risk return ratio. The Group bears risks including credit risk, liquidity risk, market risk and operational risk under such transactions. The Group's stock-based lending service provides an additional choice for the financing needs of its clients. Clients are able to obtain collateral loans by entering into a stock repurchase contract. Benefiting from its strong client base of sophisticated investors, the Group has large and steady demand for its stock-based lending service. The Group also officially obtained the qualification of primary dealer for OTC options on August 1, 2018.

The Group's domestic prime brokerage business platform provides one-stop services to institutional investors covering their full life cycle. In 2020, the Group continuously improved its domestic prime brokerage business platform, and maintained its market leading position for its cross-border business. In the first half of 2021, the prime brokerage business scale of the Guarantor continued to grow with increasing product diversification. The Company once again won the Most Active Broker Award in the Stock Connect Awards of Hong Kong Stock Exchange. In the first half of the year, CICC's Singapore trading platform has been actively prepared. The overseas team executed a number of primary and secondary market projects, and the amount of financing exceeded the level of last year.

#### *Over-the-counter Derivatives*

The Group was among the first PRC securities firms licensed to conduct OTC derivatives business and it holds a leading position in this area. The Group believes its OTC derivatives business will further strengthen its first-mover advantage in the capital-based intermediary business. One of its strategic focuses is to actively develop its derivatives business. The Group officially obtained the qualification of first-class dealer for OTC options on August 1, 2018, thereby maintaining a leading position in the industry.

The Group provides a variety of financial derivatives products, including equity-linked notes, OTC options and other structured products. The Group's derivatives services are highly customized to meet each client's individual needs. Leveraging its financial engineering expertise, the Group helps its clients design sophisticated hedging strategies and trading programs to manage downside risk and minimize costs. The Group has built a strong reputation for designing hedging solutions for large domestic and international asset management firms. Depending on its clients' return expectations and risk appetite, the Group offers tailored structured products and investment programs to improve their risk-return status and meet their asset allocation needs. The Group also provides its clients access to high margin opportunities in niche markets, such as exotic cross-border and cross-asset derivatives.

In 2020, the Group offered both standard and tailor-made services in derivatives business. The Group continuously innovated its product mix, and carried out many corporate derivative businesses, which were highly recognized in the market. As a result, the Group continued to maintain its leading position among OTC option market makers. The capital introduction business and equities proprietary trading business were carried out successfully, with steady growth in results.

The Group was among the first PRC securities firms qualified to offer market-making services for ETFs, and the Group also intends to expand its market-making business to include other equity-related and exchange-traded products. Leveraging its dedicated professional trading and product teams and its innovative services for client facilitation and liquidity supply capabilities, the Group profits from the bid/ask spread while enhancing market liquidity, facilitating price discovery and promoting market equilibrium. The Group's market-making service also helps increase trading turnover for its brokerage services business, which in turn helps increase its revenues.

#### *Capital Introduction and Market-making Transaction Business*

The Group provides capital services to its overseas clients, including margin financing and other equity finance and structured products. The Group provides tailored solutions and high-quality execution and settlement services to meet its clients' diversified needs and mandates. Drawing upon its international

presence, the Group has achieved impressive success and growth in its equity finance and structured products business. With the relaxation of controls over capital accounts in the PRC, the Group intends to strengthen its capital-based services through an increased client base and product offerings.

The Group believes that its strength in cross-border products is key to the growth of its overseas capital services. Since the establishment of the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the Group has seen growing interest from its international clients in accessing the PRC market through this program and has been working to develop tailored solutions for these clients. The Group's clients increasingly demand more structured products to diversify their exposure and to manage their risks. The Group has further enhanced its international presence to provide its domestic and overseas investors with integrated global financial services and solutions including "investment, research, sales, trade, and products".

In 2020, the Group fully seized the opportunities from fluctuations of the global market, thus achieving significant increases in revenue, scale, customers and trading volume. In the first half of 2021, the Group's revenue increased significantly year on year, with effective risk management achieved, and no occurrence of major risk events. The domestic product business continued to innovate, and multiple business lines went hand in hand, achieving new breakthroughs. The business scale steadily increased, and the market leadership continued to be maintained. The overseas product business strengthened cross-regional cooperation, promoted product innovation, improved the customer ecosystem and the efficiency of IT system, optimized customer experience and steadily increased the scale of transactions and assets. Proprietary business and capital introduction business maintained steady performance.

The Group's corporate culture of openness, entrepreneurship and spirit of partnership has contributed to its success. Such a corporate culture leads to close collaboration and effective communication between its domestic and overseas teams, which is necessary to efficiently manage cross-border product development. This collaboration also creates synergies that benefit both its clients and itself. The Group's culture distinguishes the Group from its PRC and overseas competitors in cross-border product offerings, which the Group believes is a major growth area in the future.

### *Clients*

In terms of coverage of customers, the Group has enhanced its efforts for online and offline services, and innovated its service model, so as to ensure its efforts and efficiency to acquire and serve new and old customers at home and abroad. In 2020, the number of accounts opened by domestic and overseas customers kept growing considerably, with the turnover and market share hitting another record high. The customer coverage and market share of the Group in long funds (including QFII/RQFII, WOFE, QDII and Shanghai-Shenzhen Stock Connect investors), insurance companies and hedge fund continued to remain at a high level, with a steady increase in its trading market share of mutual funds. The Group won bids for businesses of wealth management subsidiaries of various banks under the model of settlement via securities brokers, implemented various models of cooperation with bank customers. In terms of the stock connect business, the Group achieved a steady increase in the number of customer accounts opened with it, and the total transaction volume and share, and had ranked among the tops in the market for years in a row. In the first half of 2021, the Group's institutional client base has been continuously consolidated. With professional services and comprehensive one-stop solutions for institutional clients, the equities business maintained steady revenue growth despite increasing market volatility. The customer coverage and market share of the Group in long funds (including QFII/RQFII, WOFE, QDII and Shanghai-Shenzhen Stock Connect investors), insurance companies and hedge funds continued to remain at a high level. The Group's trading market share has reached a high record, the mutual fund investment research ranking constantly improved, and the Group also completed a number of projects in innovative structures.



## **FICC**

### *Overview*

The Group's FICC business provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities. The Group's FICC business has a diverse and growing client base, the majority of which are located in the PRC. Its clients primarily consist of commercial banks, insurance companies, mutual funds, QFIIs, hedge funds, trust companies, asset management companies, finance companies and corporations. The Group has a dedicated sales team that focuses on maintaining its relationships with existing clients and developing new clients. The Group provides its clients with macro-economic, monetary policy and fixed-income research.

In 2020, the Group further promoted the innovation of FICC business, and formed a domestic and overseas business system covering interest rates, credit, structuring, commodities and foreign exchange products. In the meantime, the Group established a professional product line to comprehensively improve its comprehensive customer service capabilities, so as to create an all-round fixed-income service and support platform covering market making, financing, and cross-border businesses. Despite of volatilities in the market environment, the trading business continued to showcase sound trading and risk control capabilities, and realized gains by steadily capturing market opportunities. Cross-border business has achieved solid progress, with Bond Connect trading volume reaching RMB50 billion, a year-on-year increase of 53%, hitting a record high. In the first half of 2021, the FICC business forged ahead with focus on customer service, to vigorously increase market share, and expand market presence. The FICC business continued to strengthen product innovation, released many innovative businesses, and continued to create an all-round fixed-income service and support platform covering market making, financing, and cross-border businesses. Despite volatilities in the market, the trading business continued to showcase sound trading and risk control capabilities, and realized gains by steadily capturing market opportunities. In the first half of 2021, the FICC business also continued to strengthen infrastructure development, advance the integration of business and technology, and vigorously promote digital transformation.

### *Interest and Currency*

The Group provides customers with secondary market trading services in relation to interest and currency, including customer services, inventory adjustment, and hedging instruments in relation to investment portfolios and structured products.

In terms of interest products, the Group provides customers with market making services in relation to rate securities traded in the PRC interbank markets, stock exchanges and Bond Connect markets, including treasury bonds, debentures, municipal bonds and central bank bills. Leveraging its expertise in pricing and risk hedging, the Group is able to provide customers with favourable price for rate securities.

The Group's currency products cover various currencies, including but not limited to RMB, US dollars, Hong Kong dollars, Euros, Yen, Singapore dollars and Australian dollars. The Group provides customized products and services tailoring to customer needs, enabling its customers to hedge against currency risks in foreign exchange spot and forward transactions.

The Group carries out its interest and currency business in various markets. It provides customers with a full range of trading services in interbank markets, Shanghai Stock Exchange, Shenzhen Stock Exchange and China Financial Futures Exchange. The Group closely tracks the trading status of similar bond products on different trading platforms, and utilizes its excellent cross-platform trading capabilities to simultaneously carry out transactions across different platforms, providing liquidity to the market.



### *Credit*

The Group provides customers with market making and trading services in relation to credit securities, as well as securities investment and trading.

The Group provides a wide range of credit securities market making services in interbank markets, stock exchanges, debt markets and offshore markets in relation to different kinds of products, including enterprise bonds, corporate bonds, short term commercial papers, financial bonds, medium term notes and asset securitization, as well as other onshore and offshore credit products for investment with high returns.

The Group adopts a strict risk management system in relation to its trading services. Its insightful analysis of the development of macro market enables it to control the risks in the management of global bond investment portfolios and yields. The Group's expertise in credit analysis enables it to discover the values of different types of products.

### *Securitization*

The Group carries out securitization services to provide more financing channels for customers, optimize their asset and liability structure and cater for the development of SMEs. The Group has accumulated rich experience in product investment and established a sound investment analysis system and a professional management system in model design, stress testing, risk control and post-investment services. Leveraging its market-making and risk control capabilities, the Group is able to seize the market opportunities and achieve stable returns.

The Group proactively promotes its market making services in securitized products, bringing market liquidity to its customers, hence becoming an important market participant. The Group focuses on innovation and seizes the market opportunities to optimize its business layout. It provides comprehensive services ranging from investment consulting, analysis and bond trading services, aiming to help its customers maintain and increase the value of their financial assets.

### *Derivatives (including commodities) and Futures*

The Group engages in the design, sales, trading and market-making of derivatives and futures products, spanning across interest rate, credit, foreign exchange, commodities and stock index options.

In terms of derivatives business, the Group provides different kinds of financial derivatives for onshore and offshore enterprises and corporate customers to meet customer demands in financial risk hedging and asset management. The Group adopts the "product + service" business model, providing customers with various derivatives products, such as futures, options and currency-interest rates cross swaps. The Group also renders hedging, risk management and asset allocation services. The Group has a large customer base, covering onshore financial institutions, private equity and enterprises. The sales team is dedicated to providing customers with tailor-made services in derivatives trading and hedging against risks in business operations. In recent years, the Group has gradually carried out cross-border derivatives business, which broadened its customer base, and enabled it to provide a higher level of all-round services.

The Group's futures business covers futures agency and futures asset management. It possesses the qualifications in commodity futures brokerage, financial futures brokerage and futures asset management. The Group carries out its onshore and offshore futures brokerage businesses through CICC Futures and CICC HK Futures. The Group focuses on providing financial futures brokerage services for corporate customers. The Company is a member of the China Financial Futures Exchange, the Shanghai Futures Exchange, the Dalian Commodity Exchange, the Zhengzhou Commodity Exchange and the Shanghai International Energy Exchange. The Company is also a trading and clearing member of the China Financial Futures Exchange. Besides, attributable to its sound performance, CICC Futures was awarded "A" rating by the CSRC for five consecutive years from 2016 to 2020.

## ***Asset Management***

### *Overview*

The Group designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business.

### *Asset Management*

The Group provides asset management products and services for institutional and individual investors. The Group receives management fees based on a percentage of the amount of assets under its management and performance fees based on returns on the assets. The Group focuses on active asset management. With clients' interest as top priority, the Group designs and offers high-quality and innovative asset management products and services to domestic and overseas clients with a view of steady value appreciation over the long term.

In 2020, the asset management business comprehensively improved its comprehensive service capabilities offerings. The asset management business further optimized its product arrangements, improved its product planning, and established a customer-centered product and service management system, further improved its research capabilities, and built an integrated investment and research platform, vigorously improved the level of specialized sales-force and customer acquisition practice, and focused on strengthening the coverage over and service for national social security fund, annuity plans, bank wealth management subsidiaries, and corporate customers. The asset management business expanded internal and external key retail channels, increased access to bank channels, and actively developed online third-party channels. The asset management business seized the business opportunities arising out of global asset allocation by Chinese-funded organizations, and gradually expanded overseas channels to strengthen the coverage over foreign-funded organizations. The asset management business refined the middle and back office management, teased out the optimization process, identified major risks in various businesses in a systematic and forward-looking manner, and improved its risk management system. The asset management business increased the information technology investment, strengthened the construction for system automation, promoted financial technology innovation, and empowered business development.

In the first half of 2021, the Group continued to enrich its product lines with focus on several well-defined key products, and intensified research and development of new investment strategies, innovative products and comprehensive solutions based on the market environment and customer needs, and continuously enhanced its comprehensive customer service capabilities. The Group further strengthened investment and research capabilities, improved the investment research management system, strengthened team building and talent training, and enhanced investment research capabilities, further expanded customer coverage, extended the depth and breadth of customer service, strengthened the development of centrally-owned enterprises and industrial customers' annuity business, and dug deeper into the needs of wealth management subsidiaries of banks, vigorously developed the business of urban and rural commercial banks, strengthened in-depth cooperation with retail channels, improved customer response and value-added service capabilities, continued to strengthen the coverage of international customers and overseas Chinese funded institutions, expanded overseas channels, and achieved a substantial increase in the overall AUM. The Group accelerated the digital construction of its asset management business, rapidly advanced the construction of an institutional service platform and an integrated investment and research platform, accelerated the transformation of financial technology, and enhanced customer stickiness through digital services to help business development. Meanwhile, the Group further strengthened risk management and control, enhanced the risk awareness of all employees, strengthened the organization of institutional processes and system construction to improve management efficiency.

As at June 30, 2021, the AUM of the Asset Management Department of the Company was RMB939,397 million, representing an increase of 83.1% compared with the end of 2020. By product line, the AUM of collective asset management products and segregated asset management products (including NSSF, corporate annuities, pensions and occupational annuities) were RMB442,823 million and RMB496,574 million, respectively. The Asset Management Department had altogether 660 products under management, most of which were under active management.

### *Mutual Funds*

The Group conducts its mutual fund management business through CICC Fund Management. In 2020, CICC Fund Management continued to improve its product line with a focus on actively managed equity-type products and fixed-income products. Meanwhile, in active response to the national policy and capitalizing on the advantages of CICC, CICC Fund Management made efforts to develop new businesses including China's infrastructure REITs and ETF. CICC Fund Management continued to invest in the construction of investment and research teams, and persisted in steadily improving its long-term investment performance. CICC Fund Management accelerated the efforts in deepening regional penetration, thus further enhancing retail coverage and service capabilities, continued to gain institutional access, so as to vigorously acquire key customers and increase customer stickiness and promoted online marketing on third-party distributor to realize the conversion to sales.

In the first half of 2021, CICC Fund Management continued to improve its traditional product lines, covering actively managed equity-type and asset allocation products. It launched the first ETF product-CICC Quality ETF (中金質量 ETF), and completed one of the first publicly traded REITs, CICC ProLogis REIT, which was issued and listed on the SSE. In the first half of 2021, CICC Fund Management continued to invest in capacity building of the investment and research team, maintained steady operations, and strived to improve long-term performance, expanded the regional distribution channels, and further improved retail coverage and services, vigorously explored key customers, and increased stickiness, and served their diversified investment needs. CICC Fund Management also promoted third-party online education for investor, marketing and sales conversion, and carried out online live broadcast actively.

As at June 30, 2021, the AUM of CICC Fund Management amounted to RMB69,226 million, representing an increase of RMB13,928 million compared with the end of 2020. In particular, the size of mutual funds increased to RMB68,027 million, representing an increase of 26.0% compared with the end of 2020.

### *Private Equity Investment*

#### *Overview*

The Group designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds, infrastructure funds, etc.

The Group's highly recognized brand name, extensive transaction experience, comprehensive corporate resources, excellent synergy among its business lines and full-service capability make it an attractive investor for companies seeking private equity investment as well as a sought-after co-investment partner for other private equity firms.

The private equity investment business is carried out by CICC Capital. CICC Capital is committed to establishing a unified and open management platform to achieve resource centralization and management synergy internally, and foster an open platform ecosystem externally. The family of funds managed by CICC Capital mainly include domestic corporate equity investment funds, fund of funds, US dollar funds, real estate funds, and infrastructure funds. The industries covered include high technology, high-end manufacturing, comprehensive healthcare and consumption.

In 2020, CICC Capital mainly deployed industrial funds through strong cooperation with multinational companies, innovative special account management funds via cooperation with large industrial groups, and focused on growth investments, for instance, direct investment funds, and key regional pillar products, and has formed relatively diversified product lines. In the first half of 2021, at the product level, CICC Capital established industrial funds in the high-end manufacturing sector through strong cooperation with leading industry groups. CICC Capital actively expanded investment in new products in the middle market and explored special investment opportunities, accelerated the raising of fund of funds products and enriched existing investor structure. At the regional level, CICC Capital accelerated its deployment in Beijing, the Yangtze River Delta, Hunan Province, Shandong Province and other regions, and provided a full range of services to support technological innovation and investment in various regions through fund of funds and direct investment funds.

CICC Capital has a solid foundation for the stable business development in the long run through balancing the overall risk of the business in light of diversified risk profiles of different products. In 2020, amid the challenging fundraising environment in the market, some star funds continued to enlarge, demonstrating investors' confidence in the investment and management capabilities of CICC Capital. On October 30, 2020, the Group established the second private equity subsidiary – CICC Private Equity Investment and Management Company Limited in Shanghai, which will manage funds in the Yangtze River Delta region to serve the economic development within the region. In the first half of 2021, leveraging outstanding investment management capabilities, CICC Capital has won a number of authoritative awards in the industry, gained market recognition and investor favor, and its market position and industry influence continued to rise. As at June 30, 2021, the assets under management of CICC Capital through a variety of ways amounted to approximately RMB303,215 million.

CICC Capital attaches great importance to risk control, and risk awareness has been implanted in CICC culture. CICC Capital emphasizes on further strengthening risk awareness of the team, and urges the team to carry out investment, post-investment and exit in a more prudent manner to generate more revenue through investment appreciation, and create value for investors. In terms of internal control management, CICC Capital continues to promote sound and effective risk management and control measures, enhanced the unified management and control capabilities of its platform, and further formulated more stringent standards for investment decisions and post-investment management of each fund on the basis of the existing relatively complete and strict risk management system in line with business development.

In recognition of its achievement, the Group has been awarded the “2020 China PE Firm” (Rank 5), “China Investment Firm Affiliated to Securities Trade” (Rank 1) and “China Private Equity Institutional Limited Partner” (Rank 2) by Zero2IPO Group, the “2020 China Most Notable PE Firm” by LP by China Venture, the “2020 Best Performing FOF in the World” (Rank 3), “Best Performing Fund in the World” (Rank 1) by Global FOF Association, the “2020 China Best Government-lead Fund” (Rank 1) and “China Best Return FOF Manager” (Rank 1) by VCPC and China-FoF, the “2019-2020 China Top10 Best PE Firm” by Chinese Venture, the “2019 China Top10 PE Firm” by Zero2IPO Group, the “2019 China Best PE Firm” (Rank 7) by Chinese Venture, “2019 China Best Return FOF Manager” (Rank 1) by VCPC and China-FoF and the 2019 Best “JINNIU” PE Firm by China Securities Journal.

## ***Wealth Management***

### ***Overview***

The Group provides a wide range of wealth management products and services, consisting of transactional services, capital services and product allocation services, to retail clients, families and corporate clients.

The Group is a pioneer among PRC securities firms in developing an advice-driven service model for wealth management services and delivering tailored products and services to meet clients' investment needs. Since early 2007, the Group has provided a wide range of wealth management products and services, including trading services, capital services, product and advisory services to high-net-worth

individuals, family offices and corporate clients. The wealth management division maintained its top brand position with leading product capability. The Group is also dedicated to forging the industry leading wealth platform and becoming a one-stop wealth solutions provider. In 2017, by setting up the Wealth Service Centre, the Group has systematically strengthened the service capacity of wealth research and product centre, and significantly enhanced equity research and macro asset allocation services.

Building on the Group's premier "CICC" brand and its high-quality services with stringent compliance standards, its wealth management services are well recognized in the PRC. The Group's wealth management business has won many awards including the "Best Wealth Management Provider" in Stars of China Awards 2021 by Global Finance, the "Best Wealth Manager" in 2019 and 2020 by Asiamoney, the "Best Wealth Manager in China – Ultra High Net Worth Services" in 2019 by Asian Private Banker, the "Best Wealth Manager in China – Entrepreneur Services" from 2019 to 2021 by Asian Private Banker, the "Jinniu Wealth Management Team Award" in 2019 and 2020 and the "Best Securities Companies for Fintech" in 2020 by China Securities Journal, the "Best Domestic Securities Company-Wealth Management" in 2019 and 2020 and the "Best Domestic Family Office-Investment Bank" in 2020 by Wealth, the "Best Wealth Management Institution / Brand" from 2012 to 2018 and in 2020 by Securities Times, and the "Chinese Leading High-net-worth Clients Facilitator" in 2018 and 2020 by International Financial News.

In 2020, the wealth management business seized market opportunities to carry out various businesses in an orderly manner, thus achieving rapid growth in terms of operating results, steadily improving its market competitiveness and realizing high-quality development. In terms of product allocation business, the size of existing products increased sharply by 74%, long position and quantitative strategies for selected products which were sold on a commission basis outperformed the average for like products, and the results of bond products and fixed-income products were stable. In terms of buy-side investment consulting business, private account and fund investment advisory led the industry transformation, and enhanced the customer experience through multi-asset allocation, and guided customers to make reasonable allocation for long-term investment. In terms of trading business, the trading share increased significantly to 2.13%, and new breakthroughs were made in traditional business through measures including capitalizing on the research capability of the Group, improving online customer experience and strengthening operational services to customers.

In the first half of 2021, the Group remained keen on market changes, and various businesses maintained a good momentum of growth despite the turbulent market, achieving remarkable results. In terms of product allocation business, the Group continued to provide high-quality investment analysis through its professional research capabilities and screened out high-quality products for customers. In the first half of the year, the Group's product assets exceeded RMB200 billion, with a year-on-year increase of 91%. In addition, the Group continued to strengthen product innovation capabilities and accelerated the deployment of asset allocation products. Following China 50 (中國50), to better meet the wealth management needs of the mass affluent customers, the Group created the first low-threshold allocation product Mini 50 (微50) in the brokerage industry. As at June 30, 2021, the buy-side fee-based assets<sup>1</sup> reached RMB50 billion. In terms of trading business, the Group continued to strengthen system development, synergy with product business and customer coverage, and its trading market share further increased to 2.33%. In terms of international business, the Group leveraged synergy with the investment banking business under "One CICC", upgraded international business products and operating system, and expanded the scale of international business, achieving a rapid growth in overseas revenue year-on-year.

<sup>1</sup> Including paid solutions based on buy-side investment advisory services, such as China 50, Mini 50, fund investment advisory, and various themed FOFs



### *Transactional Services*

The Group's dedicated professionals provide prompt and efficient service to its clients for both domestic and cross-border trading. The Group's transactional services cover all stocks, fixed-income products, options as well as futures and other derivatives available for trading on stock exchanges and in the OTC market. Leveraging its high-quality client base and professional team's execution capability in completing large and complex transactions, the Group also provides block trade and private placement services.

### *Capital Services*

The Group offers collateralized financing through its margin financing services to clients who wish to finance their securities purchases through leverage. The Group lends securities held in its own accounts to its clients through its securities lending services, enabling them to capture potential short-selling opportunities.

The Group's stock-based lending service provides additional options to its clients who have financing needs. The Group provides its clients with a variety of financial derivatives products, including equity-linked notes, OTC options and other financial derivatives on exchanges and in the OTC market. The Group also advises its clients on portfolio construction and design customized trading programs to manage downside risk, minimize risk management cost and improve their risk-return status.

### *Product Allocation Services*

To meet its clients' asset allocation needs and adapt to the wealth management market conditions, the Group offers one of the most comprehensive selections of its own and third-party financial products, including cash management, fixed-income, equity products, hedge fund, private equity and overseas products, and such financial products have various durations, including daily, monthly and quarterly products and products with longer duration. The Group has access to a wide variety of product sources through its network and close cooperation with mutual funds, trust companies, private equity fund managers and other asset management companies. The Group's dedicated wealth management product team follows a stringent process to source, screen and distribute financial products taking into consideration the risks, performance and advantages of the products. Together with its in-depth research and analysis covering numerous product markets, the Group is able to offer high-quality products to its clients. Based on its comprehensive selection of high-quality products, the Group's investment consultants provide its clients with tailored products and services to meet their specific needs.

### *Clients*

In 2020, the wealth management business further improved customer segmentation services, expanded the scale of private wealth management business, significantly enhanced productivity, and strengthened market presence. Meanwhile, along with the digital transformation of the Company, leveraging the financial technology and online-to-offline means, breakthroughs were made in serving affluent and mass customers, the pilot project team formed an effective customer base management system and team working mechanism, laying a foundation for a larger-scale comprehensive transformation in 2021.

In the first half of 2021, the Group continued to optimize the business strategy of customer segmentation. On the one hand, the private wealth management business grew rapidly. By building a dedicated, professional, and enthusiastic buy-side investment advisory team, the Group focused on the asset allocation appeals of individual clients, promoted the transformation of wealth management model from product sales to asset allocation. On the other hand, the business for the mass affluent customers grew steadily. The Group upholds the principle of financial inclusiveness. Based on serving the needs of a wider range of customers of asset appreciation, the Group improved the service quality and depth for the mass affluent customers through digital and intelligent financial technology means, and online and offline channels.



As at June 30, 2021, the number of the Group's wealth management customers reached 4.11 million, with total customer assets of RMB2,788,221 million, among which, there were 29,098 high-net-worth customers, with total assets of RMB728,436 million.

## Research

The Group's research team focuses on global markets and serves clients both at home and abroad through its offices and platforms across the world. The scope of its research products and investment analysis ranges from macro economy and market strategy to fixed income, financial engineering, asset allocation, equities and commodities. As at June 30, 2021, the Group's research team employed more than 240 highly experienced, high-caliber professionals and covered more than 40 sectors as well as over 1,200 companies listed on stock exchanges in the PRC, Hong Kong, New York, Singapore, Frankfurt, London and Paris.

The Group has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In the first half of 2021, the Group published more than 7,264 research reports in Chinese and/or English. On top of numerous sector and company reports, the Group also assembled a series of thematic reports, such as China Infrastructure REITs Research Series (中國基礎設施REITs系列研究), Digital Banking: Reshaping of Service Provision Capabilities (數字銀行：重構金融供給能力), Seeking Opportunities in Logistics Sector under Dual Circulations (立足內外循環，掘金物流行業). These research products show the Group's profound understanding of China. The superior quality and extensive coverage of the Group's research reports have earned the Group the reputation as the "China Expert".

The Group's research team continued to win awards from prominent international institutions in 2020. These include the "Best for Overall Research (China)" in the Asiamoney Brokers Poll, marking the 15th consecutive year of its championship in this poll from 2006 to 2020. The Group also topped the "All-China Research Team" (Firm Leaders: Overall) hosted by Institutional Investor for nine consecutive years from 2012 to 2020.

To accomplish the Group's strategic goal and implement the "One CICC" corporate culture, the Group has decided to optimize the allocation of research resources to maximize benefits from internal cooperation and synergies based on existing research strengths. The Group has adjusted organizational structures to consolidate its research resources, and built an integrated research platform with solid competitive advantages over peers to better support the Group's various business lines and continue to deliver high-quality research services to clients.

The Group has established a new tier-one department – CICC Global Institute (CGI) – to provide its accumulated knowledge and wisdom to support China's national strategy. Created as a new top-notch think tank for a changed world in a brand new era, CGI's key mission is to assist in the research and formulation of China's public policies, participate in discussions and communications about international policies, and offer suggestions on the development of China's financial markets, especially the capital market. CGI will endeavor to build a strong team with solid capabilities for the research of key issues in the medium and long-term development of Chinese and global economies, financial systems and capital markets. The think tank's forward-looking research will focus on major topics of vital significance to the country and people's well-being. CGI shall serve and support government organizations, corporate entities and other institutions via research consultations, high-profile forums, international communications and a whole series of thematic seminars.

Since its inception in November 2020, CGI has worked diligently to perform its tasks, improve its social influence, and build a strong, comprehensive brand name for public policy research. In March 2021, CGI and the Research Department jointly held the highly successful "CICC Carbon Neutrality 2060 Forum" and rolled out a major report: Economics of Carbon Neutrality, Macro and Sector Analysis under New Constraints. The Group has distributed more than 30,000 printed copies of the report and has seen over 1,000 pieces of English and/or Chinese media coverage on it. Under the guidance of the

Ministry of Ecology and Environment, CGI and the Belt and Road Initiative International Green Development Coalition (BRIGC) co-hosted in May the “Belt and Road Forum on Green Finance and Low-carbon Development”. CGI issued at the Forum its White Paper on BRI Research in 2021, while BRIGC rolled out its Green BRI and 2030 Agenda for Sustainable Development. In addition, CGI and BRIGC jointly launched at the Forum an initiative for thinktank cooperation on “green Silk Road” research. Meanwhile, CGI has made significant achievements in terms of the support for public policy research and decision-making, global cooperation, as well as the construction of platforms for domestic and international exchange of ideas and information.

### **Information Technology**

The Group believes that its IT systems are critical to its business operations and are a key contributor to its success and future growth. IT systems are the backbone of many aspects of its operations, including transaction processing, customer services, account management, risk management and financial management. The Group focuses on developing its IT capabilities and possesses a sound IT management infrastructure. The Group is continuing to make significant investments to improve its IT systems to enhance operational efficiency and risk management, as well as serve to its overall business strategies.

The Group believes that it has strong in-house IT development capability. Many of the systems that are important for its core businesses have been developed in-house in response to its emerging business needs. The Group developed various platforms and systems to address the specific needs of its businesses, including (i) a comprehensive trading platform that can support the trading of all types of products available on the market, such as equity trading, ETF trading, margin financing and securities lending as well as options trading for the Group’s clients, (ii) a futures trading platform that can support the trading of all futures products on the three commodities futures exchanges and one financial futures exchange in the PRC, (iii) a trading platform for the Group’s proprietary derivatives trading, (iv) a comprehensive market database and (v) comprehensive client relationship management systems in the Group’s key business lines. As new products and services continue to emerge in China’s securities industry, the Group believes that its extensive experience and strong capabilities in IT research and development make it well-positioned to compete effectively. In addition, to support its offshore operations, the Group has built local support and development teams in Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo, and also assigned dedicated staff at the Group’s head office to collaborate with local teams to develop software and systems for the Group’s offshore operations, including a trading system for stocks of Hong Kong-listed companies. The Group plans to further enhance its IT systems’ capabilities to process the trading of complex financial products and support its global business operations.

The Group has established a comprehensive monitoring and control system to ensure secure IT operations, primarily covering personnel management, computer room management, computer equipment and network management, transaction data management, software management, technical resources management, virus protection management, technological risk management and emergency disaster response management. The Group has adopted various IT security measures, including advanced firewall technologies, anti-virus systems and anti-spam measures as well as access permission and authorization, to provide a high level of information security. The Group developed a series of strict rules and procedures to clearly define the responsibilities among the IT technicians and standardize operational procedures. The Group conducts independent internal and external audits annually on its information technology systems to ensure the requisite rules and procedures are executed effectively.

### **Major Clients**

The Group has explored an extensive and profound client base with high quality. Relying on its excellent service quality and professional service capabilities, The Group has formed a profound client base covering a wide range of large-sized enterprises, high-quality emerging growth companies, professional institutional investors and growing wealth management clients that play important roles in

the national economy and capital market. The Group can provide its clients with complicated, diversified and high-quality business services through its integrated and customized cross-border platform. The Group has developed long-term cooperation with clients and are dedicated to providing them with a comprehensive suite of products and services.

## **Competition**

Competition in the securities industry in the PRC has been and is likely to remain intense. The Group's competition is based on a number of factors, including but not limited to transaction execution capability, capital and access to capital, products and services, pricing, risk management, reputation, and professional talent. The Group's main competitors include other securities firms, fund management companies and private equity firms in China. The Group also faces competition from commercial banks, insurance companies, trust companies, online financial service providers and other companies offering financial or ancillary services. In addition, with the relaxation of licensing requirements in China's securities industry, more competitors are seeking to enter or expand in the market. Some of the financial institutions with which the Group competes are larger in terms of asset size and client base and have greater financial resources or more specialized capabilities than the Group does. Foreign financial institutions, some of which have greater experience and resources than the Group does, have been expanding their operations in China and will continue to compete with it in providing financial products and services, either by themselves or in partnership with other Chinese financial institutions. The Group also faces competition in overseas financial markets as it expands its international operations.

The Group has experienced intense price competition in some of its businesses in recent years. The brokerage business in China is very competitive, which has resulted in considerable pressure on brokerage commissions. The increased popularity of alternative trading platforms, such as the internet, has also contributed to the decline in commission rates. In addition, equity and debt underwriting discounts, as well as asset management fee rates, have also been under pressure. The Group believes that it will continue to experience competitive pressure in these and other areas in the future, as some of its competitors seek to win market share through price reduction.

The Group also faces competition in attracting and retaining qualified employees. The competition among large securities firms for experienced analysts, qualified sponsor representatives, investment managers and other high-quality professionals is substantial. The Group's ability to continue to compete effectively in its businesses will depend upon its ability to attract new employees and retain and motivate its existing employees.

## **Employees**

As at June 30, 2021, the Group had 12,744 employees, among whom 11,825 employees were based in the PRC and 919 employees were based in Hong Kong, Singapore, the United States, the United Kingdom and Germany, representing 93% and 7% of the total number of its employees, respectively. Approximately 95% and 52% of the Group's employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 28% of the Group's employees and 42% of the Group's managing directors had overseas education or working experience.

The Group believes that an outstanding and motivated talent pool is the foundation of its sustainable growth and the Group has made significant investment in human resources development. The Group recruits and cultivates talented professionals through a range of human resources management tools, including a strict recruitment and selection process, a competitive compensation structure, an effective performance evaluation system and long-term employee development schemes.

Consistent with market practice, the Group's compensation structure consists of a base salary, which is determined based on the specific position, requirements of qualification and working experience and market demand, and a bonus based on the employee's performance. The Group provides its employees based in China with benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and

housing provident funds, and the Group also provides supplementary medical insurance for its employees. A small portion of its supporting employees are contracted through third-party employment agencies and the Group pays salaries and statutory social welfare contribution for these employees. The Group provides its employees in overseas offices with benefits in compliance with local laws and regulations. The Group also plans to implement an equity incentive program for its employees subject to applicable laws and regulations.

The Group believes that the sustainability of its growth depends on employee career development. The Group has adopted a comprehensive performance evaluation system to help its employees develop their career that aligns with their growth. The Group also provides its employees with various training programs to improve their skills and competence, including orientation for new employees, professional skills training, qualification training, management skills training, and an executive development training program.

Over the past three years, the Group has not experienced any labour strikes or other material labour disputes that affected its operations. The Group has retained a good relationship with its employees.

### **Properties**

The Group's headquarters are located at the 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC. The Group also owns and leases certain properties primarily used for business operations and offices in the PRC, and leases office space in Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo.

### **Insurance**

The Group currently maintains property insurance coverage for its headquarters and branches. The Group has maintained liability insurance policies for its directors, supervisors and senior management. All policies are underwritten by domestic and overseas renowned insurance companies, and the Group regularly reviews the policies. The Group believes that its insurance coverage is adequate and standard compared to other investment banks based in China and Hong Kong.

### **Risk Management**

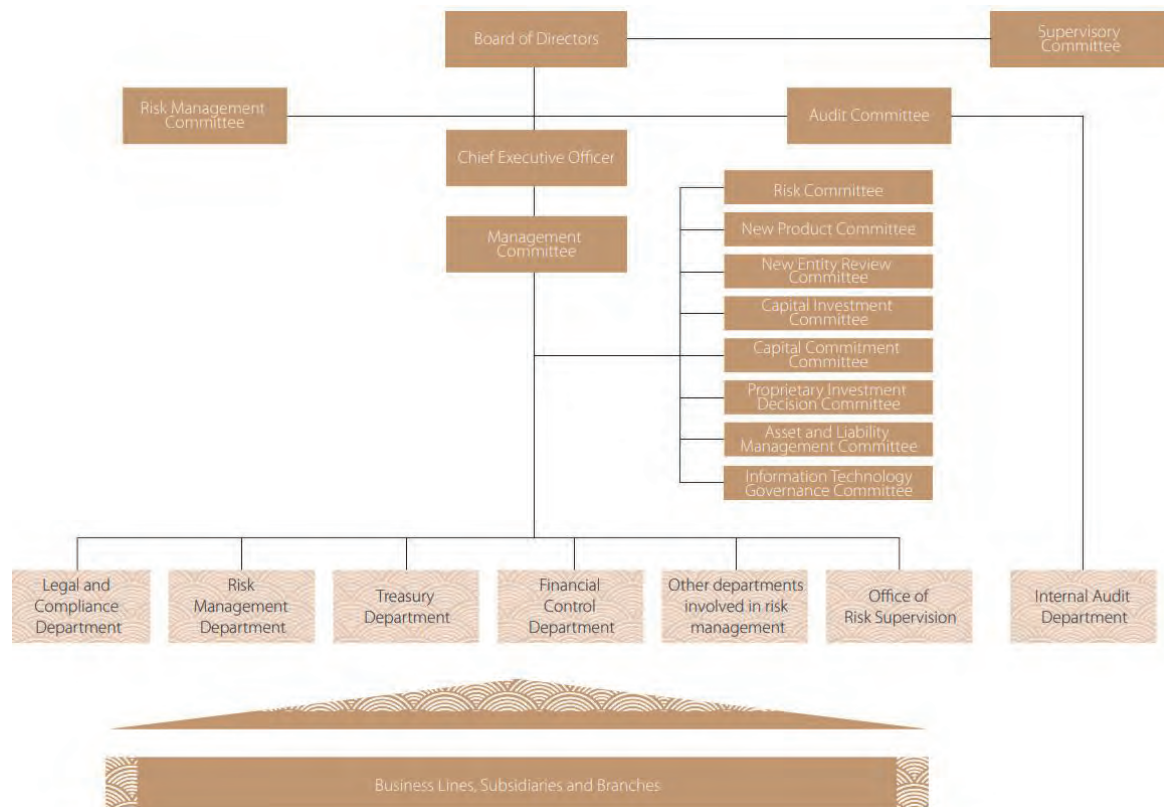
#### ***Overview***

The Group has always believed that risk management creates value. The risk management of the Group aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of the Group. The Group has sound corporate governance, effective risk management measures and a strict internal control system.

Pursuant to the relevant laws and regulations and regulatory requirements, the Group has established a sound governance structure. The general meeting, the Board of Directors and the Supervisory Committee of the Company perform duties in accordance with the "Company Law", the "Securities Law", the "Guidance for the Internal Control of Securities Companies", the "Norms for the Comprehensive Risk Management of Securities Companies" and the Articles of Association and supervise and manage the business operations of the Group. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of the Group.

#### ***Governance Structure***

The Group has established a multi-level risk management organizational structure which comprises the Board of Directors, the Supervisory Committee, senior management, relevant departments performing risk management functions, business departments and branches.



### ***Risk Management Framework***

- (i) The Board of Directors is the top level of the Company's risk management and internal control governance structure and is responsible for facilitating the enforcement of the firmwide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of the Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee;
- (ii) the Supervisory Committee assumes the supervision duty on the effectiveness of the overall risk management of the Company, and supervises and inspects the fulfilment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings;
- (iii) under the Board of Directors, the Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of the Company in accordance with the overall risk management goals set by the Board of Directors and assumes the major responsibility of ensuring the effectiveness of the overall risk management of the Company;
- (iv) the Risk Committee established under the Management Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairmen of the Risk Committee. Other members include the Chief Financial Officer, heads of each of the business departments and heads of relevant departments performing risk management functions. There are New Product Committee, New Entity Review Committee, Capital Investment Committee, Capital Commitment Committee, Proprietary Investment Decision Committee, Asset and Liability Management Committee and Information Technology Governance Committee under Management



Committee, which perform their duties in respect of new business/new product approval, branch set-up and approval, approval of capital contribution from owned funds, risk control of issuance and underwriting in investment banking business, management of investment decision-making process of proprietary business, management of assets and liabilities of the Company, management of information technology and etc.;

- (v) relevant departments performing risk management functions, including the departments such as Risk Management Department, Legal and Compliance Department, Treasury Department, Financial Control Department, Operations Department, Information Technology Department and Public Relations Department, coordinate to manage various risks based on their respective perspectives; and
- (vi) heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During the daily business operations, all staff involved in business operations in the business departments and branches are required to perform risk management functions.

### ***Risk to the Group's Business Activities and Management Measures***

Risks related to business activities of the Group mainly include market risk, credit risk, liquidity risk, operational risk, IT risk, compliance risk, legal risk, money laundering risk and reputational risk, etc.

In the first half of 2021, the Group proactively responded to and managed risks through effective risk management measures, which generally prevented the occurrence of significant risk events and ensured the stable development of the business operation of the Group. In the first half of 2021, the global epidemic was still full of uncertainties. Fiscal stimuli and easing monetary policies in major developed economies continued to affect international financial markets. China focused its attention on the pandemic control and deepened the supply-side structural reforms but was still subject to many instabilities and uncertainties due to adverse factors including the rising of trade protectionism and the impact on global industrial chains and supply chains. Confronted with severe and complex market environment challenges, the Group persisted in implementing the risk management and control requirements of “full coverage, looking through, and full cycle”, and continuously strengthened the integrated vertical risk management system covering its subsidiaries and branches. Through joint efforts on risk management control of three lines of defense, the Group actively identified, prudently evaluated, dynamically monitored, timely reported and proactively coped with risks. The Group deeply publicized the risk management culture, continuously enhanced risk management capabilities, coordinated its business plans, considered its risk appetite, reviewed and improved the multi-dimensional and multi-level risk management system, optimized the management mechanism and processes from a forward-looking perspective, and continuously promoted the optimization and sustainable development of its business models. In the first half of 2021, the business operation of the Group was stable without material risk events and large losses, and the overall risks were controllable and tolerable.

In the first half of 2021, the Group continued to enhance risk management of the same business and the same customer. The Group formulated identification standards for the same business to implement relatively consistent risk management standards and measures for the same business and to identify, assess, measure, monitor and aggregate risks of the same business within the Group in a unified manner. The Group also formulated identification standards for the same customer to enhance standardized and regulated management of information of the same customer and to aggregate and monitor the business transactions in various business lines of the Group with the same customer, which will be implemented throughout all key links of business. At the same time, the Group managed relevant risks of customers identified as related parties in a unified manner.

### ***Market Risk***

Market risk refers to risks of changes in the fair value of financial assets held by the Group resulting from the fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc.



The Group has adopted the following measures to manage market risk:

- Business departments of the Group, as the first line of defence, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;
- The Risk Management Department of the Group independently assesses, monitors and manages the overall market risk of the Group with the following measures. The market risk management mainly includes risk measurement, limit formulation and risk monitoring:
  - The Group measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for the Group to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. The Group computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, the Group adopts stress tests to complement the VaR analysis and measures whether the investment loss of the Group is within the scope of the risk tolerance when market risk factors such as equity price, interest rate, exchange rate and commodity price undergo extreme changes. In addition, in respect of sensitivity factors of different assets, the Group measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.
  - The Group has formulated a risk limit indicator framework. Risk limit is a mean for controlling risks and also represents the risk appetite and risk tolerance of the Group. The Group sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit, stress test limit and stop-loss limit, etc.
  - The Group monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submits them to the management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given time frame. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to the management.

In the first half of 2021, the Group conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

In the first half of 2021, the Group closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, the Group hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

#### *Credit Risk*

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, financing parties and securities issuers.

## Bond Investments Business

The Group emphasises the diversification level of the fixed income credit products and the credit products invested are those predominantly with relatively high credit ratings. The Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

In the first half of 2021, when bond defaults were rising, the Group's FICC business closely collaborated with the Risk Management Department and identified, assessed, monitored and managed credit risk related to bond investments. As a result, the Group avoided material losses in the first half of 2021 through effective risk management measures.

## Capital Business

For the credit risks of margin financing and securities lending business, stock-based lending business and other capital businesses, the Group has established a comprehensive and robust risk control system, including the customers' creditworthiness assessment, collateral management, underlying securities management, risk limit management, margin ratio monitoring, mandatory liquidation, etc. The Group attaches considerable importance to customers' on-boarding and has established and implemented a strict customer selection and credit assessment mechanism, under which the branches are responsible for preliminary assessment of the customers' credit profile by collecting customers' basic information, financial status, securities investment experience, credit record and risk tolerance. The information of the customers that has passed the preliminary assessment will be submitted to the relevant business departments at the headquarters for further review, which, if qualified, will then be submitted to the Risk Management Department for formal approval, which will conduct an independent assessment of the customers' qualifications, and determine their credit ratings and credit limits.

In the first half of 2021, no significant losses were incurred in the Group's margin financing and securities lending business and stock-based lending business. The Group primarily controlled the risks of margin financing and securities lending business and stock-based lending business by the following measures:

### Margin Financing and Securities Lending Business

In the first half of 2021, the Group strictly controlled the concentrations of single customer and single underlying security, closely monitored and assessed accounts with higher collateral concentration and riskier investment portfolio, timely communicated with the customers and promptly took corresponding measures to mitigate such risks. The Group attached considerable importance to collateral management and dynamically adjusted the scope and haircuts of the collaterals, prudently reviewed and approved business extension by considering the following factors, including the concentration and risk condition of the investment portfolio, and the collateral ratio of the existing deal. The Group also conducted regular and irregular stress testing and closely monitored customers with high risks.

### Stock-based Lending Business

In the first half of 2021, the Group exercised strict control over the onboarding and approval of the stock-based lending deals, and has taken effective risk control measures, including, but not limited to, strengthening deal risk assessment and management, evaluating the risks by the customers' creditworthiness and fundamentals of the pledged securities (including the pledge ratio of the large shareholder, pledge ratio of all shareholders, liquidity and trading suspension records, shareholder structure, capital status of the controlling shareholder, potential delisting risk and negative news), carefully determining the loan-to-value ratio, as well as exercising strict control over the financing amount of the customers who are subject to shareholding reduction restriction. The Group strictly controlled single security concentration, established a security blacklist mechanism, and managed the

overall exposure of a single security within the Group. In addition, the Group strengthened the on-site due diligence investigation, assessment and analysis of the pledged securities and clients with large financing demand, and raised the approval requirements to ensure risks were managed at a controllable level.

Meanwhile, the Group continuously monitored the risks of the outstanding contracts, conducted regular and irregular stress testing, and classified deals into different risk status and kept key track of the deals with potential high risks. The Group maintained close monitoring and regular assessment of the customers' credit risk with large financing amount, and maintained dynamic monitoring of the pledged securities, continuously tracked the fundamentals and security price fluctuations of large deals, and if any abnormal circumstances identified on the pledged security, the Group will ensure the risk precautions are in place, and corresponding measures are taken promptly.

#### *Liquidity Risk*

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfil other payment obligations, and satisfy the funding needs in conducting normal business operations.

The Group implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk:

- Closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;
- Setting liquidity risk limits based on the Group's overall situation and regulatory requirements;
- Conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess the Group's liquidity risk exposure; and
- Maintaining adequate high-quality liquid assets, and establishing liquidity contingency plan for potential liquidity emergencies.

In order to withstand the potential liquidity risk and satisfy the short-term liquidity needs, the Group constantly holds sufficient unsecured and high-quality liquid assets as its liquidity reserves. The liquidity reserves are held by the Treasury Department and are managed independently from business departments. The Group vertically manages the liquidity reserves to ensure the allocation efficiency of the liquidity reserves. Meanwhile, due to the liquidity transfer restrictions between entities and regions, the liquidity reserves are held in various currencies and maintained within major operating subsidiaries, ensuring that the liquidity requirements of different entities are met in a timely manner. The size and composition of the liquidity reserves are actively managed by the Group based on the consideration of factors including, but not limited to, funding maturity profile, balance sheet size and composition, business and operational capital requirements, stress test results, and regulatory requirements. The Group strictly limits the liquidity reserves to high-quality liquid assets (including cash and cash equivalents, interest rate bonds and money market funds) and sets risk limits.

The Group constantly broadens and diversifies its funding channels to optimize the liability structure. The funding instruments of the Group include corporate bonds, financial bonds, medium term note program, bank loan, short-term commercial papers, beneficiary certificates, refinancing, income right transfer, inter-bank borrowing, REPOs, etc. The Group maintains good relationship with major commercial banks and has sufficient bank credit to meet the funding requirement for business development. As at the date of this Offering Circular, as assessed by China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the credit rating of the Group was AAA and the rating outlook was stable. As at the date of this Offering Circular, as assessed by

Standard & Poor's, the long-term rating of the Company was BBB, the short-term rating was A-2 and the rating outlook is stable. As assessed by Moody's, the long-term rating of the Company was Baa1, the short-term rating was P-2 and the rating outlook was stable. As assessed by Fitch, the long-term rating of the Company was BBB+, the short-term rating was F2 and the rating outlook was stable.

In the first half of 2021, there was no substantial change in terms of substance and type of liquidity risks exposed to the Group. The Group's liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

In the first half of 2021, the regulatory indicator of liquidity risk management of the Group continued to comply with the regulatory requirements. As at June 30, 2021, the liquidity coverage ratio and the net stable funding ratio of the Group were 428.9% and 134.4%, respectively.

### *Operational Risk*

Operational risk refers to the risks of losses resulting from failed or defective internal procedures, IT systems, human factors and external events. Operational risk can occur in all business operations and daily operations of the Group, which may eventually lead to other risks such as legal risk, compliance risk and reputational risk.

The Group has adopted the following measures to manage operational risk:

- Cultivating the operational risk idea of all staffs and improving employees' consciousness of operational risks;
- Establishing a transparent organizational structure with a proper decision-making mechanism and defining the responsibilities of the management and control of business processes;
- Promoting risk management in key areas and processes, and optimizing and improving systems, processes and mechanisms;
- Carrying out risk assessment and follow-up review of new businesses and products, and strengthening the ex ante management of operational risks, management of operational risks in the act and ex post facto management of operational risks;
- Continuously strengthening the operational risk by tool of management and control to identify, assess, monitor, and respond to operational risks;
- Optimizing the communication, reporting and processing mechanism for operational risk information to prevent and control risks in a more active and forward-looking manner; and
- Promoting the construction of business continuity management systems to enhance the continuity of going concern ability.

In the first half of 2021, there was no substantial change in nature and extent of operational risks exposed to the Group. The Group continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, the Group further improved the operation efficiency and prevent operational risk.

### *IT Risk*

IT risk refers to the operational, legal and reputational risks arising from natural factors, human factors, technology vulnerabilities and management deficiencies in the application of information technology in the Group.

The Group has adopted the following measures to control and prevent IT risks:

- Establishing an effective IT governance framework to keep information technology consistent with business goals;
- Clarifying the information technology risk management mechanism, and clarifying at the policy level the division of responsibilities of the three lines of defense in IT risk management, defining and regulating management strategies and methods;
- Conducting IT risk assessment, fully identifying and analyzing the risks, analyzing the possibility and potential impact of the risks, and implementing risk prevention measures, establishing an IT key risk indicator system and monitoring mechanism, cultivating IT risk culture and improve employees' awareness of IT risk prevention and control;
- Ensuring the reliability, integrity, availability and maintainability of information system through the management process of initialization, approval and control of IT projects;
- Establishing information security management system, formulating and implementing information security plan, monitoring information security threats;
- Establishing a data governance organizational framework to ensure unified management, sustainable controllability and storage safety of data;
- Tracking, responding to, analyzing and dealing with problems of information system and emergencies of information technology through establishing an effective process to manage problems; and
- Through establishing an IT emergency management system, formulating an emergency plan, carrying out emergency drills, and continuously improving IT emergency management process, to ensure that the system can support the Company's business operations in a continuous and steady manner.

#### *Compliance Risk*

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to the Group's reputation because of the violation of laws, regulations, industry self-regulatory rules or its internal policies arising from its operations and management activities or employee behaviour.

The Group has mainly adopted the following measures to manage and prevent compliance risk:

- The Group formulates and updates its compliance policies and procedures in accordance with changes in laws, regulations and industry norms;
- The Group's professional compliance team is responsible for examining new businesses and providing compliance advice. The Group implements effective compliance risk management measures at the early stage of new businesses and conduct compliance reviews and supervision during carrying out new business;
- The Group controls the circulation of sensitive information by monitoring sensitive information flows and establishing dynamic information barrier walls, with the aim to prevent risks of insider trading and manage conflicts of interest;
- The Group undertakes compliance reviews in accordance with applicable laws and regulations, other regulatory documents, self-regulatory rules, industry norms and the Group's internal policies, to monitor the compliance of its business operations and employee activities and identify and manage compliance risks in a proactive manner;

- The Group adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to its employees to improve their compliance awareness; and
- The Group has established an internal accountability system in respect of employees' violations of laws and regulations and internal policies to impose applicable punishments on offenders.

In the first half of 2021, there was no substantial change in nature and extent of compliance risks exposed to the Group.

#### *Legal Risk*

Legal risk refers to the possible risk of economic loss or damage to the Group's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes.

The Group manages, controls and prevents legal risks mainly through the following measures:

- The Group continuously enhances its internal policies and business procedures from a legal perspective to ensure that its operations and management satisfy the requirements of applicable laws and regulations;
- The Group formulates templates for various business contracts and requires its business departments to use its in-house templates to the fullest extent. The Group also reviews contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;
- The Group conducts legal training to enhance its employees' legal awareness;
- The application, maintenance and protection of the Group's trademarks, protection of its goodwill and trade secrets and taking actions against behaviour that harms its reputation or interests; and
- The Group takes active measures to mitigate legal risks when disputes and litigation arise.

In the first half of 2021, there was no material change in the nature of legal risks of the Group or in its ability to respond to legal risks.

#### *Money Laundering Risk*

Money laundering risk refers to the risks of being used in illegal and criminal activities such as money laundering, terrorist financing and proliferation financing in the course of conducting business and operating management of the Group, which may bring reputation risks and legal risks to the Group, and may lead to customer loss, business loss and financial losses.

The Group mainly takes the following measures to manage and prevent money laundering risks:

- Formulating and updating anti-money laundering policies in accordance with laws, regulations and regulatory requirements;
- Integrating risk control measures into relevant business operation processes, in consideration of anti-money laundering obligations including customer identification, preservation of customer identity information and transaction records, transaction monitoring, reporting on large transactions and suspicious transactions, list monitoring, asset freezing;
- Continuously carrying out anti-money laundering publicity and training to promote the full transmission of money laundering risk management culture;



- Establishing and improving the anti-money laundering information system, data quality control mechanism and internal control and information sharing mechanism; and
- Carrying out anti-money laundering inspection and internal audit work, and properly conducting anti-money laundering human resource assurance, anti-money laundering performance appraisal, rewards and punishments and emergency management work.

#### *Reputational Risk*

Reputational risk refers to the risk of negative comments on the Group caused by the Group's operational activities, business management and other actions as well as external events. Reputational risk can occur in all business areas and activities, and the Group assesses and manages reputational risk across all areas such as operation management, business activities and employee behaviour.

The Group has mainly adopted the following measures to manage and prevent reputational risk:

- All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow “Know your Customers (KYC)” principles, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;
- Reinforcing the firm-wide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training, and any employee who causes a significant reputational loss to the Group due to any misconduct or improper behaviour will be subject to disciplinary actions; and
- The Public Relations Department manages the overall reputational risk of the Group by public opinion monitoring and media communications, media management, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to the Group, so as to lead correct and objective public opinion and further prevent the spread of inaccurate and false information in public environment.

#### **Legal Proceedings**

The Group is party to a number of legal proceedings arising in the ordinary course of its business. As at the date of this Offering Circular, the Group was not aware of any legal proceeding pending or threatened against it or its Directors that could, individually or in the aggregate, have a material and adverse effect on the Group's business, financial condition or results of operations.

## DESCRIPTION OF THE GUARANTOR AND THE HONG KONG GROUP

### Overview

The Guarantor was incorporated on April 4, 1997 and is registered as a company with limited liability under the laws of Hong Kong with company number 602470. Its registered office is situated at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

### Milestones in the Hong Kong Group's History

Set out below is a list of key milestones in the history of the Guarantor and its subsidiaries (together, the “**Hong Kong Group**”). Please refer to “*the Group's Corporate Structure*” for details on the Hong Kong Group's simplified corporate structure.

<u>Year</u>	<u>Event</u>
1997 . . . . .	The establishment of CICC Hong Kong.
1998 . . . . .	The establishment of CICC HK Securities.
2005 . . . . .	The establishment of CICC HK AM, through which the Hong Kong Group engages in asset management and investment advisory businesses.  The establishment of CICC US Securities, which is indirectly held by CICC Hong Kong.
2008 . . . . .	The establishment of China International Capital Corporation (Singapore) Pte. Limited.
2009 . . . . .	The establishment of China International Capital Corporation (UK) Limited.
2010 . . . . .	The establishment of CICC HK Futures.
2017 . . . . .	The establishment of CICC Capital (Cayman) Limited.
2018 . . . . .	The establishment of CICC Europe GmbH.
2020 . . . . .	The establishment of China International Capital Corporation (Japan) Limited.

### Support from the Group

The Guarantor is a direct wholly-owned subsidiary of CICC. It is the first wholly-owned overseas subsidiary of CICC, and it serves as the primary overseas investment holding platform of the Group. The principal business of the Guarantor is investment holding, and the Group conducts its overseas business through the Hong Kong Group and manages the Hong Kong Group through vertical management. The Hong Kong Group's business is highly synergistic to the Group's onshore business. The Hong Kong Group serves as a strategically important foothold for the internationalization strategy of the Group, as well as a key platform through which the Group develops new businesses and a training ground for talents. A significant portion of the Hong Kong Group's directors are part of the core management of the Group. As the bridge between domestic and international businesses, the Hong Kong Group is highly synergetic with the domestic business operations of the Group. For the year ended December 31, 2020, the Hong Kong Group's total revenue and other income accounted for 19.9% of the Group's total revenue and other income. As at December 31, 2020, the Hong Kong Group's total assets accounted for 30.5% of the Group's total assets.

Due to the unique strategic position of the Hong Kong Group and its synergy, the Group has provided tremendous support to the Hong Kong Group since its inception. Since 2016, the Company has completed three capital injections in the Hong Kong Group, totalling HK\$3.838 billion, which effectively reduced the leverage of the Hong Kong Group. Since 2000, the Group has provided nine credit facilities totalling US\$575 million. These credit facilities are subordinated loans primarily for supporting the Hong Kong Group's IPO business. In addition, the Group has included the Hong Kong Group when applying for credit lines. Through the Group's credit history and business cooperation with headquarters of domestic banks with onshore and offshore branches, the Hong Kong Group is able to obtain the largest possible amount of credit. The Group also shares its relationships and resources on international commercial banks with the Hong Kong Group, and establishes good working relationships with domestic and international banks to assist the Hong Kong Group in obtaining overseas financing. Furthermore, the Group also provides letters of comfort to the Hong Kong Group in order to lower its cost of funds.

### Business Activities

The Hong Kong Group's principal business segments include:

- **Investment Banking:** the Hong Kong Group engages in investment banking business and provides equity financing, debt financing and financial advisory services, amongst others. The subsidiaries engaged in investment banking include CICC HK Securities, CICC US Securities, China International Capital Corporation (Singapore) Pte. Limited, China International Capital Corporation (UK) Limited and CICC Europe GmbH;
- **Securities Brokerage:** the Hong Kong Group provides a wide range of securities brokerage services to both Chinese and global investors. The subsidiaries engaged in securities brokerage include CICC HK Securities, CICC US Securities, China International Capital Corporation (Singapore) Pte. Limited and China International Capital Corporation (UK) Limited and CICC Europe GmbH;
- **Asset Management:** the Hong Kong Group provides cross-border asset management services and in particular, CICC HK AM, a subsidiary of the Guarantor, offers a variety of QFII and RQFII products;
- **Investment Advisory:** the Hong Kong Group provides a broad spectrum of investment advisory services to both Chinese and global investors. The subsidiaries engaged in investment advisory services include CICC HK Securities and CICC HK AM; and
- **Futures Brokerage:** the Hong Kong Group provides futures brokerage services through its subsidiary, CICC HK Futures.

In 2019, 2020 and 2021, the Guarantor received a number of industry recognitions and awards, including but not limited to the following:

- the "Top Broker" in Stock Connect Awards by HKSE;
- the "Best Local Brokerage", the "Best for Overall Research" and the "Best Overall Sales Services" in China (A&B Shares, H-Shares, Red Chips, P-Chips, and Hong Kong Local Share), the "China's Best Corporate and Investment Bank for M&A (Cross-Border)", the "China's Best Corporate and Investment Bank for ECM (Cross-Border)", the "Best for Cross Border Equity Capital Markets", the "Best Overall Research House for BRI", the "Best Chinese Bank in the Region for BRI" (Southeast Asia/Central and Eastern Europe & Central and West Asia) and the "Best for Overall Country Research" by Asiamoney;
- the "Asian Bank of the Year" and "China Equity House" by IFR; and

- the “Best Investment Bank in China” and “Best ECM House in China” and “Best Broker in China” by FinanceAsia.

The Hong Kong Group’s business strategy includes: (1) increasing its business competency in the primary market; (2) creating a comprehensive and full service investment banking business platform in Hong Kong; (3) further expanding the client base overseas; (4) improving research capability and enhancing risk management; and (5) attracting high-quality international talents.

#### **Directors and Employees**

As at the date of this Offering Circular, the directors of the Guarantor are Xia Xinhuan, Huang Haizhou, Wong King Fung, Chu Gang, Ma Kui, Xu Yicheng and Liu Qingchuan.

As at June 30, 2021, the Hong Kong Group had 12,744 employees in total, of which 772 employees were based in Hong Kong, 37 employees were based in Singapore, 41 employees were based in the United Kingdom, 53 employees were based in the United States, five employees were based in Germany and 11 employees were based in Japan.

#### **Share Capital**

The registered share capital of the Guarantor is HKD3,900,000,000.

#### **Financial Information**

The Hong Kong Group has prepared its consolidated financial statements for the years ended December 31, 2019 and 2020, each of which are included elsewhere in this Offering Circular. The financial year of the Hong Kong Group ends on December 31 of each year.

#### **Auditors**

Deloitte has been the statutory auditors of the Hong Kong Group for the years ended December 31, 2019 and 2020. The address of Deloitte is 35/F One Pacific Place, 88 Queensway, Hong Kong.

## **DESCRIPTION OF THE ISSUER**

### **Overview**

The Issuer was incorporated in the British Virgin Islands as a company limited by shares on April 15, 2016 under the BVI Business Companies Act (as amended) of the British Virgin Islands (company number: 1911549). The registered office of the Issuer is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. As at the date of this Offering Circular, the Issuer is authorized to issue a maximum of 50,000 shares of one class of US\$1.00 par value each and two shares of US\$1.00 value have been issued to the Guarantor.

### **Business Activity**

The Issuer is a direct wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any activities other than in connection with the Programme and the Notes.

### **Directors**

The directors of the Issuer are Liu Jian and Wang Jin. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

### Board of Directors

As at the date of this Offering Circular, the Company's Board of Directors comprises eight Directors, including one executive Director, three non-executive Directors and four independent non-executive Directors.

The following table sets out information in respect of the Directors of the Company:

<b>Name</b>	<b>Position</b>
Shen Rujun (沈如軍) . . . . .	Chairman of the Board and Non-executive Director
Huang Zhaohui (黃朝暉) . . . . .	Executive Director, Chief Executive Officer and Chairman of the Management Committee
Tan Lixia (譚麗霞) . . . . .	Non-executive Director
Duan Wenwu (段文務) . . . . .	Non-executive Director
Liu Li (劉力) . . . . .	Independent Non-executive Director
Siu Wai Keung (蕭偉強) . . . . .	Independent Non-executive Director
Ben Shenglin (賁聖林) . . . . .	Independent Non-executive Director
Peter Hugh Nolan (彼得•諾蘭) . . .	Independent Non-executive Director

**Mr. Shen Rujun (沈如軍)**, aged 57, has been appointed as the Chairman of the Company since August 2019, and serves as the Executive Director and Executive Vice President of China Investment Corporation as well as the Vice Chairman, Executive Director and President of Huijin Company. Mr. Shen successively served as the Deputy Section Chief, Section Chief, and Deputy Director of the Accounting Division, as well as Deputy Director (in charge of the work) and Director of the Planning Division of Jiangsu Branch of Industrial and Commercial Bank of China Limited (hereinafter referred to as "ICBC"), a company listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 01398), from December 1984 to December 1998. He served as the Vice General Manager of the Planning and Finance Department of ICBC from December 1998 to November 2003, Vice President of ICBC Beijing Branch from November 2003 to July 2008, General Manager of the Finance and Accounting Department of ICBC from July 2008 to November 2013 and President of ICBC Shandong Branch from November 2013 to March 2015. Mr. Shen served as the Vice President of Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications"), a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from March 2015 to June 2018 and Vice President and Executive Director of Bank of Communications from June 2018 to October 2018. Mr. Shen obtained his doctoral degree from School of Technology and Economics of Hohai University in 2001.

**Mr. Huang Zhaohui (黃朝暉)**, aged 57, has been appointed as a Director of the Company since February 2020, the Chief Executive Officer and Chairman of the Management Committee of the Company since December 2019. He joined the Group in February 1998 and held several positions, including the Head, Deputy Head and Co-Head of the Investment Banking Department. He also served as a member of the Management Committee of the Company from April 2015 to December 2019. Prior to joining the Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and director of the secretariat of the general administration office from July 1988 to January 1998. He currently serves as a director of CICC Wealth Management, CICC HK Securities and Jinteng Technology. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.



**Ms. Tan Lixia (譚麗霞)**, aged 50, a Chartered Global Management Accountant, has been appointed as a Director of the Company since February 2020. Ms. Tan joined Haier from August 1992, and successively served as the director of Department of Overseas Market Development of Haier Group and Chief Financial Officer of Haier Group. Ms. Tan currently serves as the Executive Vice President and Head of Wanchain Platform of Haier Group, Chairman of Haier Group (Qingdao) Financing Holding Co., Ltd., a non-executive director of Bank of Qingdao Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002948) and the Hong Kong Stock Exchange (Stock Code: 03866), Chairman of Qingdao Haier Biomedical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 688139) and Chairman of INKON Life Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 300143). Ms. Tan once served as a non-executive director of Haier Electronics Group Co., Ltd. and Vice Chairman of Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690) and the Hong Kong Stock Exchange (Stock Code: 06690). Ms. Tan currently serves as a standing member of the 12th session of All-China Women's Federation, Vice President of China Women Entrepreneurs Association, the Chairman of Shandong Women Entrepreneurs Association and the Vice Chairman of the 13th session of Qingdao Women's Federation. Ms. Tan graduated from Central University of Finance and Economics majoring in public finance in June 1992, and obtained an EMBA degree from the China Europe International Business School in July 2009.

**Mr. Duan Wenwu (段文務)**, aged 52, a senior accountant, has been appointed as a Director of the Company since February 2020. Mr. Duan has served as the Chairman of I&G (NEEQ: 834777) from May 2020, and General Manager of I&G from April 2019. Mr. Duan served as the Deputy Manager and Financial Chief of Yunnan Dachaoshan Hydropower Co., Ltd. Dachao Industrial Company from July 1998 to December 1998, and successively served as Deputy Manager, Manager of the Finance Department, Deputy Chief Accountant, Chief Accountant and Deputy Manager of Yunnan Dachaoshan Hydropower Co., Ltd. (later renamed as SDIC Yunnan Dachaoshan Hydropower Co., Ltd.) from December 1998 to May 2008. Mr. Duan served as an assistant to the director of Finance and Accounting Department of State Development & Investment Corporation (later renamed as State Development & Investment Corp., Ltd.) from May 2008 to November 2008, Deputy General Manager of SDIC Finance Co., Ltd. from November 2008 to August 2010, Deputy Director of Finance and Accounting Department of State Development & Investment Corporation from August 2010 to August 2014, Director and Deputy General Manager of China National Complete Plant Import and Export Group Corporation Limited from March 2013 to August 2014, Director of Finance and Accounting Department and Director of the Finance Department of State Development & Investment Corporation from August 2014 to August 2016 and from August 2016 to May 2017, respectively, Chairman of Rongshi International Holding Company Limited from December 2016 to June 2020, General Manager of SDIC Essence Co., Ltd. (later renamed as SDIC Capital Co., Ltd.), a company listed on the Shanghai Stock Exchange (Stock Code: 600061), from May 2017 to December 2017, General Manager of SDIC Capital Co., Ltd. from December 2017 to March 2018, Director of Essence Securities Co., Ltd. from December 2017 to January 2019, Chairman of SDIC Finance Co., Ltd. from March 2018 to April 2019 and Chairman of SDIC Financial Leasing Co., Ltd. from March 2015 to December 2020. Mr. Duan obtained a bachelor's degree in economics from Xiamen University in July 1990, and a master's degree in business administration from Jiangxi University of Finance and Economics in January 2003.

**Mr. Liu Li (劉力)**, aged 65, has been appointed as a Director of the Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. Mr. Liu has served as an independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1829), since January 2011, and an independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 000617), since June 2017. Mr. Liu also served as an

independent non executive director of Bank of Communications, a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 3328), from September 2014 to November 2020, and an independent director of Success Electronics Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002289), from January 2016 to October 2020. Mr. Liu obtained a master's degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

**Mr. Siu Wai Keung (蕭偉強)**, aged 67, (former name: Francis Siu Wai Keung), has been appointed as a Director of the Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Huazhen LLP Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Huazhen LLP Beijing Office and North China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu currently serves as an independent non-executive director of CITIC Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 267), since May 2011, an independent non-executive director of China Communications Services Corporation Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 552), since June 2012, an independent director of Beijing Gao Hua Securities Company Limited since June 2015, and an independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu also served as an independent non executive director of Guoco Land Limited, a company listed on SGX (Stock Code: F17), from December 2010 to October 2020, and an independent non-executive director of CGN Power Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 1816) and the Shenzhen Stock Exchange (Stock Code: 003816), from March 2014 to August 2020. Mr. Siu has been a fellow member of the ICAEW and the HKICPA since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

**Mr. Ben Shenglin (賁聖林)**, aged 55, has been appointed as a Director of the Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and general manager of working capital business in China from September 1994 to January 2005. He served at HSBC from February 2005 to March 2010, successively as China country head and managing director of financial institutions, and China country head of commercial banking. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, a supervisor of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and Hong Kong Stock Exchange (Stock Code: 939), since June 2020, an independent director of Zhejiang Orient Financial Holdings Group Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600120), since October 2020, and an independent director of Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since July 2021. Mr. Ben has also served as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), from September 2014 to February 2020, an independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 168), from June 2014 to June 2020, and a supervisor of Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601166), from December 2016 to June 2021. Mr. Ben joined Zhejiang University since May 2014 and currently serves as a full-time professor and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, the dean of the International Business School since October 2018, and the co-director of Zhejiang University – Ant FinTech Research Center since November 2019. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and the co-director thereof since July 2018, the dean of Zhejiang Institute of Innovations

since April 2018, a counsellor of the Zhejiang People's Government since August 2014, a member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and Vice Commissioner of Economic Policy Committee since January 2018, the Joint Chairman of Zhejiang Association of Internet Finance since September 2015, a member of the Guangdong Financial Experts Advisory Committee since November 2017, a member of the International Cooperation Committee of the All-China Federation of Industry and Commerce since December 2018 and an expert specially invited by the FinTech Cooperation Committee of the Asian Financial Cooperation Association since July 2019. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in industrial enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

**Mr. Peter Hugh Nolan**, aged 72, recipient of the Commander of the Most Excellent Order of the British Empire, has been appointed as a Director of the Company since February 2020. He has served as an independent non-executive director of China Everbright Group since January 2019 and the director of China Centre, Jesus College at University of Cambridge since 2017. He has also served as the Director of the China Executive Leadership Programme (CELP) since 2005. Professor Nolan was a lecturer of Faculty of Economics and Politics at University of Cambridge from 1979 to 1997 and Sinyi Professor of Chinese Management at Cambridge Judge Business School at University of Cambridge from 1997 to 2012. He was the founding director and Chong Hua Professor of Chinese Development in the Centre of Development Studies at University of Cambridge from 2012 to 2016 and Chong Hua Professor of Chinese Development (Emeritus) since 2016. Professor Nolan also served as an independent non-executive director of Bank of Communications (a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328)) from November 2010 to November 2017. Professor Nolan obtained his Doctoral degree in Economics from University of London in 1981.

### Supervisory Committee

The following table sets out information in respect of the Supervisors of the Company:

<b>Name</b>	<b>Position</b>
Gao Tao (高濤) . . . . .	Chairman of the Supervisory Committee and Employee Representative Supervisor
Jin Lizuo (金立佐) . . . . .	Supervisor
Cui Zheng (崔鐸) . . . . .	Supervisor

**Mr. Gao Tao (高濤)**, aged 56, has been elected as the employee representative Supervisor and appointed as the Chairman of the Supervisory Committee of the Company since June 2017. He has been the chairman of the board of directors of CICC Wealth Management (formerly known as "CISC") since October 2015. From June 1991 to May 2005, he held several positions in China Construction Bank including vice director and general manager of the department of human resources of Anhui Branch, and the president of Huainan Branch. From May 2005 to September 2005, he served as a member of the Securities Restructuring Committee of China Jianyin Investment Co., Ltd. From September 2005 to September 2006, he held several positions in CISC including general manager of the department of human resources and vice president. From September 2006 to September 2012, he held several positions in Hong Yuan Securities Co., Ltd., including vice general manager, board secretary and vice chairman. From September 2012 to August 2015, he served as vice president of China Jianyin Investment Co., Ltd. Mr. Gao graduated with a bachelor's degree from Anhui Agricultural University (formerly known as "Anhui Agricultural College") in July 1986, and an executive master of business administration degree from Renmin University of China in January 2009.

**Mr. Jin Lizuo (金立佐)**, aged 64, has been appointed as a Supervisor of the Company since May 2015. He participated in the establishment of the Company from 1994 to 1995. Mr. Jin serves as an independent non-executive director of Beijing Enterprises Environment Group Limited, a company listed

on the Hong Kong Stock Exchange (Stock Code: 154), since September 2004 and an independent non-executive director of Dadi International Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 813), since February 2020. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from the University of Oxford, the United Kingdom, in November 1993. He is the founding president of the Chinese Economic Association (CEA) UK.

**Mr. Cui Zheng (崔錚)**, aged 40, has been appointed as a Supervisor of the Company since February 2020. He has been serving as head of Legal Compliance Division of the General Management Department of Huijin since February 2020. Mr. Cui joined Huijin in July 2011, successively served as the manager of the General Department, the manager and senior deputy manager of the General Management Department/Banking Institution Department II, head of Legal Compliance Division of the General Management Department/Banking Institution Department II, etc. From July 2003 to July 2011, Mr. Cui successively served as a business director, business executive and senior business executive of Corporate Strategy Department (Legal Department) of China Telecommunications Corporation (中國電信集團公司). Mr. Cui received a bachelor's degree in law and a bachelor's degree in economics from Peking University in July 2003, a master's degree in law from Peking University in July 2009 and a master's degree in business administration from Peking University in July 2010.

### Senior Management

The following table sets out information in respect of the Company's senior management.

<b>Name</b>	<b>Position</b>
Huang Zhaohui (黃朝暉) . . . . .	Executive Director, Chief Executive Officer and Chairman of the Management Committee
Chu Gang (楚鋼) . . . . .	Chief Operating Officer Member of the Management Committee
Wong King Fung (黃勁峯) . . . . .	Chief Financial Officer Member of the Management Committee
Hu Changsheng (胡長生) . . . . .	Member of the Management Committee
Huang Haizhou (黃海洲) . . . . .	Member of the Management Committee
Wu Bo (吳波) . . . . .	Member of the Management Committee
Wang Sheng (王晟) . . . . .	Member of the Management Committee
Zhang Fengwei (張逢偉) . . . . .	Chief Risk Officer
Xu Yicheng (徐翌成) . . . . .	Assistant President
Sun Nan (孫男) . . . . .	Secretary to the Board of Directors
Ma Kui (馬葵) . . . . .	Financial Controller

**Mr. Huang Zhaohui (黃朝暉)**, an executive Director, the Chief Executive Officer and Chairman of the Management Committee of the Company. See “– Directors” in this section for his profile.

**Mr. Chu Gang (楚鋼)**, aged 57, has been appointed as the Chief Operating Officer and member of the Management Committee of the Company since April 2015. He joined the Group in May 2009 and held several positions, including Managing Director of the Research Department, Deputy Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including Emerging Market Risk Manager, US Local Government Bonds Proprietary Trader, Head of Latin America Stock Derivatives Trading and Managing Director of Alternative Investment Funds from September 1993 to August 2008. He currently serves as Director of a



number of subsidiaries of the Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

**Mr. Wong King Fung (黃勁峯)**, aged 53, has been appointed as the Chief Financial Officer and member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as Managing Director in the Firm Management Department. Mr. Wong has over 20 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016, during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and Managing Director. From November 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to November 2006, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and Executive Director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as Auditing and Accounting Trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently Director of CICC Hong Kong. Mr. Wong obtained a Bachelor's Degree in Mechanical Engineering from University of Bristol in June 1990.

**Mr. Hu Changsheng (胡長生)**, aged 55, has been appointed as member of the Management Committee since June 2017, and the Chairman of CICC Fund Management Co., Ltd. since December 2020. From December 1998 to December 2005, he has successively served as the Deputy Director of the General Division of the Policy Research Office, member (at cadre level) of the Planning and Development Committee, Consultant of the Institution Supervision Division, and Commissioner of the Shenzhen Commissioner's Office under the CSRC. From December 2005 to January 2008, he has served as the Deputy Director and then Director of the capital market department of Huijin. From January 2008 to November 2011, he has acted as the Senior Business Head and Director of Capital Market Division of the non-bank department of Huijin. From December 2005 to April 2010, he successively held the position as Director, Vice Chairman of the board of directors and Acting President of China Galaxy Securities Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 06881) and Shanghai Stock Exchange (Stock Code: 601881). From January 2007 to September 2010, he served as Director of China Galaxy Financial Holdings Company Limited. From November 2007 to January 2010, he acted as a Director of China Everbright Industry Group Ltd. He also served as the Vice Chairman of the board of directors of China Securities Co., Ltd. from March 2011 to November 2012. He was the Chairman of CISC Changchun Venture Capital Fund Management Co., Ltd. from November 2012 to August 2015. He also served as the Vice Chairman of the Executive Committee of CICC Wealth Management Securities from March 2012 to November 2019. He acted as the Chairman of CISC Luckystone Investment Management Co., Ltd. from November 2011 to April 2020. He served as the Director and the Vice Chairman of CICC Wealth Management Securities from November 2011 to November 2020, and the President of CICC Wealth Management Securities from December 2011 to

November 2020 and the Chairman of the Executive Committee of CICC Wealth Management Securities from November 2019 to December 2020. Mr. Hu graduated with a doctor's degree in economics from the Graduate Division of Research Institute for Fiscal Science of the Ministry of Finance in June 1997.

**Mr. Huang Haizhou (黃海洲)**, aged 59, has been appointed as member of the Management Committee and the Head of the Equities Department of the Company since April 2015 and May 2013 respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as Research Fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, Economist and then Senior Economist at the International Monetary Fund from July 1998 to August 2005, and Chief Economist and Head of Greater China Research of Barclays Capital from September 2005 to December 2007. He served as a member of the first session of the Hong Kong Financial Services Development Council from March 2013 to March 2018. He currently serves as Director of a number of subsidiaries of the Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree from the business school of Indiana University, the United States, in July 1994.

**Mr. Wu Bo (吳波)**, aged 44, has been appointed as member of the Management Committee of the Company since April 2018, and the Head of Wealth Management Department of the Company since February 2017. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department, member of the Operations Team of the Investment Banking Department and Secretary to the Board of Directors. He has been the President of CICC Wealth Management Securities since November 2020, and Chairman of the Executive Committee of CICC Wealth Management Securities since December 2020. Prior to joining the Group, from July 1999 to June 2002, Mr. Wu served as Auditor of Arthur Andersen Huaqiang Certified Public Accountants and Senior Auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained a bachelor's degree in economics from Peking University in July 1998 and an EMBA degree from Guanghua School of Management, Peking University and Kellogg School of Management (Northwestern University) in July 2018.

**Mr. Wang Sheng (王晟)**, aged 44, has been appointed as member of the Management Committee since March 2020. Mr. Wang Sheng is currently Head of the Investment Banking Department and Managing Director of the Company. From March 2018 to March 2020, he served as the Assistant President of the Company. Mr. Wang Sheng joined CICC in 2002. He successively participated in the reforms and restructurings of a number of industries, including telecommunications, finance, energy and pharmaceuticals, and led numerous landmark capital market transactions. Mr. Wang Sheng has been covering a number of leading domestic and foreign enterprises all the year round, and has been holding key management positions at the Investment Banking Department of CICC since 2010. Mr. Wang Sheng graduated from the School of Economics and Management of Tsinghua University, and obtained a Bachelor's and a Master's degree in 2000 and 2002 respectively.

**Mr. Zhang Fengwei (張逢偉)**, aged 53, has been appointed as the Chief Risk Officer and the Head of the Risk Management Department of the Company since June 2017. He joined the Group in April 2004 and held several positions, including Senior Associate of the Operations Department, Vice President, Managing Director and Deputy Head of the Risk Management Department. From March 2011 to February 2015, he served as the Chief Risk Officer of Zheshangjinhui Trust Co., Ltd., an associated company of the Group. Prior to joining the Group, he served as a Programmer and Network Engineer of STONE Group from July 1991 to March 1996, and Assistant Vice President of Bank One N.A. Beijing Branch from April 1996 to March 2004. Mr. Zhang obtained a bachelor's degree in Applied Mathematics from Tsinghua University in July 1991 and a master's degree in Economics from Peking University in July 1997.



**Mr. Xu Yicheng (徐翌成)**, aged 46, has been appointed as Assistant President of the Company since March 2020. Mr. Xu Yicheng is now the Head of Asset Management Segment of the Company. He joined the Investment Banking Department of the Company in January 2000, and became Managing Director in January 2008. He took several positions in the Company including Secretary to the Board of Directors, Head of Strategic Development Department and Head of Firm Office. As one of China's first batch of mergers and acquisitions (M&A) professionals, he founded and led the Company's M&A business since 2005. Mr. Xu was responsible for and closed a large number of landmark M&A transactions with a total value of more than USD150 billion, and led the team to top the China M&A leaderboard for five consecutive years (2006-2010). In recent years, Mr. Xu assisted in formulating the Company's medium and long-term strategic planning, including wealth management business strategy, asset management business strategy and other significant strategies, and took the lead in accomplishing important capital operations such as the acquisition of CISC and the introduction of Tencent as a strategic investor. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University in 1997 and a master's degree in finance from the Graduate School of the PBOC in 2000.

**Mr. Sun Nan (孫男)**, aged 41, has been appointed as Secretary to the Board of Directors of the Company since May 2020. Mr. Sun Nan currently serves as the Head of Strategic Development Department and Firm Office of the Company. He joined the Investment Banking Department of the Company in July 2003, and served as the Head of Global M&A Business of Investment Banking, the Head of Sponsor Business of Investment Banking, the member of the Investment Banking Business Committee, the member of operations team of the Investment Banking Department, the Head of Strategic Research Department, etc. Mr. Sun has extensive experience in capital operation, research and other areas. Mr. Sun obtained a bachelor's degree in economics from Tsinghua University in 2001 and a master's degree in management from Tsinghua University in 2003.

**Ms. Ma Kui (馬葵)**, aged 49, has been appointed as the Financial Controller, Head of Entity and Management Department of the Company since May 2015 and September 2011 respectively. She joined the Group in April 1998 and held several positions including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng. Ms. Ma has been the Director of CICC Jiacheng, a subsidiary of the Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as Director of a number of the Group's subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996 respectively.

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning 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**

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 any debt obligations of the Issuer.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes or on an instrument of transfer in respect of the Notes.

### **Hong Kong**

#### ***Withholding tax***

No withholding tax is payable in Hong Kong in respect of payments of principal, including any premium payable on redemption of the Notes, or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

#### ***Profits tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the **IRO**).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the **IRO**) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp duty***

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the “**SDO**”)).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the **SDO**).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## The PRC

The following summary describes the principal PRC tax consequences of the ownership and disposition of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this “Taxation – The PRC” section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management body” are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Tax Law and shall pay PRC enterprise income tax at the rate of 25 per cent. in respect of their global taxable income. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its global taxable income. See “Risk Factors – Risks Relating to the Notes Issued Under the Programme and the Guarantee – Gains on the transfer of the Notes may be subject to income tax under PRC tax laws”. As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC pay enterprise income tax on income sourced within the PRC, and such income tax shall be withheld by the PRC payer that is acting as the obligor withholder and such PRC payer shall withhold the tax amount from each payment or payment due. The EIT Law’s implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise or the establishment that pays or bears the interest is situated in China. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-sourced. The tax rate is generally 10 per cent. for non-resident enterprise Noteholders and 20 per cent. in the case of non-resident individual Noteholders, subject to the provisions of any applicable income tax treaty. The Issuer has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Conditions.

On March 23, 2016, the MOF and the SAT promulgated the Circular of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知》) (“Circular 36”), pursuant to which business tax has been completely replaced by value added tax (“VAT”) on and from 1 May 2016. Circular 36 is a relatively new regulation and there remains uncertainty with respect to the application of Circular 36 to securities (including bonds). The provisions thereunder may be subject to change upon future issuance of clarifying guidance and/or different interpretation by the PRC tax authorities.

Pursuant to Circular 36, income derived from the provision of financial services within China, which was previously subject to business tax, is instead subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that “loans” refer to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing “loans” to the Issuer, which will therefore be regarded as financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the holders of the Notes

may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of the Notes may be subject to withholding VAT at the rate of 6% plus related local surcharges. It is uncertain whether VAT is applicable to any transfer of the Notes between entities or individuals outside the PRC, but VAT shall be applicable if either the seller or buyer of Notes is located inside the PRC. However, please note that individuals (including non-resident individuals) are exempt from VAT for transfer of financial products. If VAT is exempted, local surcharges shall also be exempted.

For the redemption or repurchase of Notes by the Issuer (if it is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities) or the Guarantor, the holders of the Notes may be subject to PRC income taxes and PRC VAT plus the related surcharges (non-PRC resident individuals may be exempted from VAT (as well local surcharges) if the redemption is deemed as transfer of financial products or if the interest amount received by such non-PRC resident individuals is below certain threshold of imposing VAT) depending on whether relevant payment would be regarded as including interest or capital gains (tax treaties may provide preferential treatments if certain criteria are satisfied).

Since Circular 36 together with other laws and regulations pertaining to VAT reform are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC. The Issuer intends to maintain the register of holders of the Notes outside the PRC.

### **The Proposed Financial Transactions Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission’s Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **FATCA Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer believes it is a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands and Hong Kong) have entered into, or have

agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments made 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. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.



## REGULATORY ENVIRONMENT

### Overview

The Company mainly conducts business in China and all of its operations in China are subject to the applicable PRC laws, administrative regulations, departmental regulations and other regulatory documents which mainly aim to protect the interest of customers and investors of securities companies. Set forth below is the summary of principal laws and regulations applicable to its business, rather than a detailed description of all the laws and regulations which its business needs to comply with. In recent years, in tandem with the reform in securities and financial sectors, the laws and regulations on the securities and finance industries have been undergoing constant change. Changes in the applicable laws and regulations or regulatory policies from time to time may have significant impact on the industry the Group operates in.

### Major Regulatory Authorities and Relevant Organizations

#### *CSRC*

According to the Securities Law, the Law of the People's Republic of China on Securities Investment Funds ( 中華人民共和國證券投資基金法) (“**Securities Investment Fund Law**”) and the Regulations on the Administration of Futures Trading (期貨交易管理條例) (“**Regulations of Futures Trading**”), the CSRC is responsible for the centralized and unified supervision and management of the securities markets nationwide and maintaining the order thereof so as to secure their lawful operations. The main duties of the CSRC are as follows:

- To enact regulations and rules in relation to the supervision and management of the securities, securities investment funds and futures markets, and to exercise the rights of approval, verification or registration according to law;
- To supervise and manage the issuance, listing, trading, registration, deposit and settlement of securities and the listing, trading, settlement, delivery of futures and related activities according to law;
- To supervise and manage the securities business activities of the securities issuers, listing companies, securities companies, securities investment fund management companies and other fund managers and custodians, securities service organizations, stock exchanges and securities registration and settlement organizations according to law, and to supervise and manage futures business activities of market-related participants, including the futures exchanges, futures companies, other futures business institutions, non-futures companies clearing members, futures margin security depository monitoring institutions, futures margin depository banks and delivery warehouses;
- To enact qualification standards and practice codes for securities business personnel, fund practitioners and futures practitioners according to law, and supervise their implementation;
- To supervise and inspect the disclosure of information relating to the issuance, listing and trading of securities, the disclosure of fund information, and information of futures trading according to law;
- To regulate and supervise the activities of the SAC, the funding association of China and the China Futures Association according to law;
- To investigate and punish activities in violation of laws and administrative regulations in relation to supervision and management of the securities and futures markets according to law; and
- To perform other duties stipulated by the applicable laws and administrative regulations.

## **Stock Exchange**

Under the Securities Law and the Measures for the Administration of Stock Exchanges (證券交易所管理辦法), a stock exchange is a non-profit self-regulatory legal entity which provides venues and facilities for centralized trading of securities and organizes and supervises trading of securities.

The main duties of a stock exchange are as follows:

- To provide venues and facilities for trading of securities;
- To enact operating rules for stock exchanges;
- To accept listing applications and to arrange listing of securities;
- To organize and supervise trading of securities;
- To supervise its members;
- To supervise the listed companies;
- To establish securities registration and settlement organizations;
- To manage and announce market information;
- To handle suspension of listing, resumption of listing and delisting of listed shares and corporate bonds;
- To adopt measures of technical trading halt or to decide to temporarily close the market in case of emergency; and
- To perform other duties as permitted by the CSRC.

## **Futures Exchange**

Under the Regulations of Futures Trading (期貨交易管理條例) and the Measures for the Administration of Futures Exchanges (期貨交易所管理辦法), a futures exchange is a non-profit legal entity which provides venues and facilities for centralized trading of futures, organizes and supervises trading of futures, and exercises self-regulatory management according to its articles of association and trading rules. The main duties of a futures exchange are as follows:

- To provide venues, facilities and services for trading;
- To design contracts and arrange for listing of contracts;
- To organize and supervise the trading, clearing and settlement and delivery of futures;
- To provide centralized guarantees for contract performance in futures tradings;
- To supervise and manage its members in accordance with its articles of association and trading rules;
- To enact and implement the trading rules and implementing regulations of the futures exchange;
- To announce market information;
- To regulate its members and their clients, designated delivery warehouse, futures margin depository banks and the futures businesses of other participants in the futures market;

- To investigate and punish irregularities; and
- To perform other duties as specified by the futures supervision and administration authorities of the State Council.

#### ***The Securities Association of China (SAC)***

Under the Securities Law, the SAC is a self-regulatory organization of the securities industry. It is a non-profit social organization with legal person status, subject to the guidance and supervision of the CSRC. The SAC regulates the securities industry through its general assembly of members consisting of securities companies and other member. According to the Securities Law, a securities company shall join the SAC. The main duties of the SAC include enactment of the rules to abide by its members, and supervision and inspection of the conduct of its members.

#### ***The Asset Management Association of China (AMAC)***

Under the Securities Investment Fund Law (證券投資基金法), the AMAC is a self-regulatory organization of the securities investment fund industry and a non-profit social organization with legal person status. Fund managers and fund custodians shall join the AMAC. The main duties of the AMAC include enactment and implementation of self-regulatory rules, and supervision and inspection of the practices of its members and practitioners.

#### ***China Futures Association (CFA)***

Under the Regulations of Futures Trading (期貨交易管理條例), the CFA is a self-regulatory organization of the futures industry and a non-profit social organization with legal person status. The CFA is subject to the guidance and supervision of the CSRC. Futures companies and the other institutions engaged in futures trading shall join the CFA. The main duties of the CFA include enactment of self-regulatory rules to abide by its members and supervision and inspection of the conduct of its members.

#### ***Other Organizations***

Other organizations relating to the Company's business and operating activities primarily include China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司), China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), China Futures Market Monitoring Center Co., Ltd. (中國期貨市場監控中心有限責任公司), China Securities Finance Corporation Limited (中國證券金融股份有限公司), National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) and the NEEQ.

#### **Other PRC Regulations**

##### ***SAFE Regulation***

The Guarantor's ability to satisfy its obligations under the Notes and the Guarantee may depend on the remittance of sufficient foreign currency by the Company's PRC subsidiaries. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC Government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. The Company's PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China. If the PRC foreign exchange control system prevents the Company from obtaining sufficient foreign

currency, or if the Company's PRC subsidiaries for any reason fail to satisfy any of the PRC legal requirements for remitting foreign currency payments, the Guarantor's ability to satisfy their obligations under the Notes and the Guarantee may be affected.

### ***Regulation on Current Account CNY Remittance***

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in the designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186)(關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprise in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC Government further expanded Renminbi cross-border trade settlement nationwide. In February 2012, the PRC Government further promulgated the Notice on Issues Related to the Administration of Enterprises Carrying Out CNY Settlement of Export Goods Trade (Yin Fa [2012] No. 23)(關於出口貨物貿易人民幣結算企業管理有關問題的通知), any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the "Six Authorities") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list. On June 12, 2012, the Six Authorities jointly issued the Notice on the List of Enterprises Subject to Intensified Supervision Which Are Eligible for Trade Settlement in Renminbi for Their Exported Goods (關於出口貨物貿易人民幣結算企業重點監管名單的函), which notifies that the Six Authorities had jointly verified and announced a supervision list and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports. On July 5, 2013, the PBOC promulgated the Notice of the People's Bank of China on Streamlining Cross-border CNY Business Processes and Fine-tuning Relevant Policies (Yin Fa [2013] No.168)(中國人民銀行關於簡化跨境人民幣業務流程和完善有關政策的通知)(the "2013 PBOC Circular"), which simplifies the operating procedures on current account cross-border Renminbi settlement; for example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction.

### ***Regulation on Capital Account CNY Remittance***

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. The relevant PRC authorities may grant

approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise or to make payment for the transfer of equity interest of an onshore enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On April 7, 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知)(the "SAFE Circular"), which became effective on May 1, 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for or modify a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On May 10, 2013, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定)(the "SAFE Provisions"), which effective on May 13, 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). In addition, a Foreign-invested Enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payments with the relevant bank after going through corresponding registration.

On January 10, 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (《國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知》), which allows a domestic enterprise to lend to overseas enterprises with equity affiliation, provided that the domestic enterprise shall register the quotas of overseas lending with SAFE branch, and the cumulative overseas loan amount may not exceed 30% of its owners' equity; if the loan amount exceeds the said percentage, the SAFE branch shall decide on a case-by-case basis. In addition, according to the 2013 PBOC Circular, onshore non-financial enterprises can request the PRC bank to extend Renminbi loans to offshore entities within the same group under Renminbi cash pooling arrangements and will no longer need to apply for a quota from SAFE.

On October 13, 2011, PBOC promulgated the Measures for Administration of CNY Settlement Business in Relation to Foreign Direct Investment (《外商直接投資人民幣結算業務管理辦法》)(the "PBOC Renminbi FDI Measures"), pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning Clarification of Certain Issues on Cross-border Renminbi Settlement (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》)(the "PBOC Notice") promulgated on June 3, 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement. A foreign investor is allowed to open a Renminbi expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民



幣資本金專用存款賬戶) of such foreign invested enterprise when it is established. Commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents. If a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用存款賬戶) to pool the Renminbi proceeds, and the PRC parties selling stakes in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

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

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (Hui Fa [2015] No. 13)(國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知)(“Circular 13”), to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from approval by SAFE and registration rights will be delegated from SAFE to qualified banks from June 1, 2015. In addition, foreign investors can open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. Furthermore, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On March 30, 2015, SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)(“Circular 19”), which will relax the capital account settlement for all foreign invested enterprises across the nation from June 1, 2015. Circular 19 allows all foreign invested enterprises across the PRC to convert foreign exchange in their capital accounts into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal.

On January 26, 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) to further advance the reform of foreign exchange administration, which allows foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border



transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals. And Also, where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30% of owner's equity in the audited financial statements of the previous year.

On December 31, 2020, the PBOC, the NDRC, the MOFCOM and Other Department promulgated the Circular of Further Optimising the Cross-border RMB Policies to Support the Stability of Foreign Trade and Foreign Investment (關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知), which further states domestic banks may process the cross-border RMB settlement business under the current account for enterprises by reviewing the valid electronic documents or electronic information submitted by such enterprises.

### ***NDRC Rules on Registration for Issuance of Foreign Debts***

On September 14, 2015, NDRC issued the Circular on Promoting the Reform of Filing and Registration System for Issuance of Foreign Debts 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)(the “NDRC Circular”), which became effective on September 14, 2015. The NDRC Circular provides that, among others, (i) the issuance of foreign debts by domestic enterprises shall be subject to the record-filing and the registration system as well as the quota review and approval system by NDRC; and (ii) the enterprises issuing foreign debts must complete the record-filing and registration in respect of the foreign debts with NDRC before issuance and then report the details of such issuance to NDRC within ten business days following the closing date of such issuance. The term “foreign debts” referred to in the NDRC Circular means (i) CNY-denominated or foreign currency-denominated debt instruments with a maturity date of more than one year; (ii) issued overseas by the domestic enterprises, their controlled overseas enterprises or branches; and (iii) with agreed payment terms of principal and interest. It also includes bonds issued overseas, long-term and medium-term international commercial loans, etc.

### ***EIT, Withholding Tax and VAT***

Under the EIT Law, the Issuer may be classified as a “resident enterprise” of China. Such classification could result in unfavourable tax consequences to the Issuer and non-PRC Noteholders. Under the EIT Law, an enterprise established outside of China with a “de facto management organization” located within China will be treated as a “resident enterprise”, and consequently will be treated in a manner similar to a Chinese enterprise for EIT Law purposes. The implementing rules of the EIT Law define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be treated as a “resident enterprise”. As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is treated as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the PRC tax authorities determine that the Issuer is a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow. The Issuer may be subject to EIT at a rate of 25 per cent. on its global taxable income as well as PRC EIT Law reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced outside the PRC would be subject to PRC EIT Law at a rate of 25 per cent. If the Issuer is treated as a “resident enterprise”, interest payable to “non-resident enterprise” Noteholders may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent., and capital gains realized by “non-resident enterprise” Noteholders may be treated as income derived from sources within China and be subject to a 10 per cent. PRC tax, in each case subject to the provisions of any applicable tax treaty. Furthermore, if the Issuer or Guarantor is treated as a “resident enterprise”, interest payable to non-PRC resident individual Noteholders may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 20 per

cent., and capital gains realized by non-PRC resident individual Noteholders may be treated as income derived from sources within China and be subject to a 20 per cent. PRC tax, in each case subject to the provisions of any applicable tax treaty.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of the Company's PRC subsidiaries. Under the EIT Law, the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0 per cent. or a lower treaty rate as contained in any income tax treaty or agreement to which China is a party. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0 per cent. if a Hong Kong resident enterprise owns 25 per cent. or more equity interest in a PRC company. According to the Circular of the SAT on Promulgation of the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法的公告), which became effective on November 1, 2015, non-resident taxpayers which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to follow-up administration by the tax authorities. The rule was replaced by the Announcement of the SAT on Promulgation of the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties (非居民納稅人享受協定待遇管理辦法的公告) which was promulgated by the SAT on October 14, 2019 and came into effect on January 1, 2020.

On March 23, 2016, the MOF and the SAT promulgated the Circular 36, pursuant to which business tax has been completely replaced by VAT on and from May 1, 2016. Circular 36 is a relatively new regulation and there remains uncertainty with respect to the application of Circular 36 to securities (including bonds). The provisions thereunder may be subject to change upon future issuance of clarifying guidance and/or different interpretation by the PRC tax authorities.

Pursuant to Circular 36, income derived from the provision of financial services within China, which was previously subject to business tax, is instead subject to VAT. Financial services include, among others, the provision of loans and "loans" refers to the activity of lending capital for the use of another and receiving the interest income therefrom. In practice, bonds will generally be treated as a type of loan by the PRC tax authorities and, therefore, the holders of the Bonds are likely to be treated as providing financial services to the Issuer. Services will be treated as being provided within China when either the service provider or the service recipient is within the PRC. The Issuer, which is the service recipient, is a PRC corporation. Therefore, the interest payable by the Issuer to a non-resident holder of the Bonds would be subject to PRC withholding VAT at the rate of 6% plus related surcharges.

VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals outside the PRC and therefore unlikely to be applicable to gains realized upon such transfer.

## **Hong Kong Regulatory Environment**

### ***Introduction***

The SFO (including its subsidiary legislation) is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO governs licensing and registration matters.

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

In addition to the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (including its subsidiary legislation) provides that the SFC approves the prospectus for offerings of shares and debentures and/or grants the relevant waivers.

### ***Types of Regulated Activities***

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

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management; and

Type 10: providing credit rating services.

Certain members of the Group are licensed under the SFO to carry out regulated activities, including Type 1, Type 2, Type 4, Type 5, Type 6 and Type 9, and are qualified under Securities and Futures (Leveraged Foreign Exchange Trading – Exemption) Rules (Cap. 571E of the Laws of Hong Kong) to carry on leveraged foreign exchange trading business in Hong Kong. In addition to the licenses granted to the members of the Group by the SFC, CICC HK Securities also holds a money lender license issued by the licensing court under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), which allows it to provide loans to its clients in its ordinary course of business.

## PRC CURRENCY CONTROLS

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE, by complying with certain procedural requirements. However, except as otherwise specified by laws and regulations, approval from the appropriate government authorities is usually required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC Government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective from January 1, 1994 (ceased to be effective on August 28, 2009). The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定)(the “**Provisional Regulations**”), effective from April 1, 1994, which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by the demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations on Foreign Exchange Administration (外匯管理條例)(“**foreign Exchange Administration Regulations**”) which became effective from April 1, 1996. The Foreign Exchange Administration Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On August 1, 2008, the Foreign Exchange Administration Regulations were further amended pursuant to a resolution of the State Council of China (中華人民共和國國務院令) and came into effect on August 5, 2008 (the “**New Forex Regulation**”). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital

account may also be maintained upon approval. The Renminbi will be convertible for current account items (including goods, services, gains and transactions items that are frequently transferred, etc. involved in international balance of payments) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like capital transfers, direct investment, securities investment and derivative products and loans, is still subject to restriction, and prior approval from SAFE or its competent branch.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定)(the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On October 25, 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day. This closing price sets the central parity for trading of the Renminbi on the following business day.

According to the Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises issued by the General Affairs Department of the SAFE (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知)(“**Circular 142**”) on August 29, 2008 (ceased to be effective on June 1, 2015), for each conversion and withdrawal, an FIE is required to provide various supporting documents evidencing the authenticity of the transaction to relevant bank for review and verification. Also the converted RMB should only be used by FIEs in line with their business scope as approved by the examination and approval authorities, for example, for acquiring equipment and real property for self-use. Except for special type of FIEs such as venture capital and private equity enterprises, ordinary FIEs are generally prohibited from using the RMB converted from their capital account balance to make equity investments in other companies in China. And except for foreign-funded real estate enterprises, foreign-funded enterprise shall not use the RMB converted from their capital account balance to purchase domestic real estate for any purpose other than its own use.

On March 30, 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知)(“Circular 19”), which will relax the capital account settlement for all foreign invested enterprises

across the nation from June 1, 2015. According to Circular 19, Circular 142 will cease to be effective on the same date of the implementation of Circular 19. Circular 19 allows all foreign invested enterprises across the PRC to convert foreign exchange in their capital accounts into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal.

On June 9, 2016, the SAFE promulgated the Circular of the SAFE on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), which stipulates that the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%, which can be adjusted by the SAFE, when due, based on international income and expense conditions.



## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement dated September 17, 2021 (as amended, supplemented and/or restated from time to time, the “**Dealer Agreement**”), agreed with the Issuer, the Guarantor and the Company the basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under “Terms and Conditions of the Notes”. Under the terms of the Dealer Agreement, the Issuer, failing whom the Guarantor, agrees to pay the Relevant Dealer a commission agreed between the Issuer, the Guarantor and the Relevant Dealer in respect of Notes subscribed by it. The Issuer, failing whom the Guarantor, will reimburse the Joint Arrangers for certain of its expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each of the Issuer and the Guarantor has jointly and severally undertaken to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement may be terminated in relation to all or any of the Dealers and the Joint Arrangers by the Issuer, the Guarantor and the Company or, in relation to itself and the Issuer, the Guarantor and the Company only, by any Dealer or Joint Arranger for any reason and at any time upon the giving of not less than ten days’ written notice of such termination to the other parties thereto. The obligations of each Relevant Dealer to subscribe for the Notes are subject to certain conditions precedent.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor, the Company and/or their respective affiliates in the ordinary course of their business.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution and such orders and/or allocations of the Notes may be material. 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, the Company 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). Accordingly, references herein to the Notes being ‘offered’ should be read as including any offering of the Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuer, the Guarantor or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see “Risk Factors – 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”). The Issuer, the Guarantor, the Company and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Guarantor and/or the Company, including the Notes and could adversely affect the trading prices of the Notes. The Dealers and their affiliates may make investment recommendations and/or publish or express

independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, the Guarantor or the Company, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained (see “Risk Factors – Risk Relating to the Notes Generally – One or more investor may subscribe for a material proportion of the aggregate principal amount of any Tranche of Notes”). The Issuer, the Guarantor, the Company and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdictions.

### **United States of America**

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer 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 or, in the case of Bearer Notes, delivered, any Notes, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or, to, or for the account or benefit of U.S. persons.

Terms used in the above provision have the meanings given to them by Regulation S. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person

outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

#### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area). For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 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 (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.

#### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the 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.

### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer, the Guarantor or the Company;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, the Guarantor or the Company; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 re-sale, 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 (“**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 “**CWUMPO**”) or which do not constitute an offer to the public within the meaning of the CWUMPO; 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 (for such purpose, not including Hong Kong, the Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the PRC.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

### **British Virgin Islands**

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 any offer to the public or any person resident in the British Virgin Islands to purchase or 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 Company, the Trustee 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**

### **Authorizations**

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the update of the Programme, the issue of the Notes thereunder and the performance of its obligations under the Notes, the Trust Deed, the Agency Agreement and the Keepwell Deed. The update of the Programme and the issue of the Notes were authorized by the resolutions of the directors of the Issuer on October 21, 2020. The Guarantor has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the Guarantee and the execution of the Keepwell Deed, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorized by resolutions of the Guarantor passed at the meetings of the board of directors of the Guarantor held on October 21, 2020. CICC has obtained all necessary consents, approvals and authorizations in connection with the entry into the Trust Deed, the Keepwell Deed and the other transaction documents to which it is a party in connection with the Notes. PRC counsel to CICC and the Managers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for CICC to enter into the Trust Deed, the Keepwell Deed and the other transaction documents to which it is a party in connection with the Notes.

### **Litigation**

There are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, CICC, any of their respective subsidiaries or any of their assets which had a material impact on the consolidated financial position of the Group as at June 30, 2021. Each of the Issuer, the Guarantor and CICC is not aware of any pending or threatened proceedings, which are material in the context of the update of the Programme or the issue of the Notes or the giving of the Guarantee.

### **No Material Adverse Change**

Since December 31, 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor, CICC and any of their respective subsidiaries.

### **Documents Available**

Copies of the Guarantor's and CICC's latest annual reports and interim reports may be obtained free of charge, and copies of the Trust Deed, the Agency Agreement and the Keepwell Deed will be available for inspection at the specified office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours, so long as any of the Notes is outstanding.

### **Clearing System and Settlement**

The Notes may be accepted for clearance through the facilities of Euroclear, Clearstream, Luxembourg and the CMU. The appropriate common code and the International Securities Identification Number or CMU Instrument 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. The LEI of the Issuer is 529900N4NO8N9ILCZC31.

### **Financial Information**

The reviewed consolidated financial statements of the Group for the six months ended June 30, 2021, which are included elsewhere in this Offering Circular, have been reviewed by Deloitte, as stated in its reports appearing herein. The audited consolidated financial statements of the Group as at and for the year ended December 31, 2020, which are included elsewhere in this Offering Circular, have been audited by Deloitte, as stated in its reports appearing herein. The audited consolidated financial

statements of the Hong Kong Group as at and for the year ended December 31, 2020, which are included elsewhere in this Offering Circular, have been audited by Deloitte, as stated in its reports appearing herein.

**Listing**

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only, during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

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Note 1: The reviewed consolidated financial statements of the Group as at and for the six months ended June 30, 2021 as set out herein have been reproduced from the Company's interim report for the six months ended June 30, 2021, including the page numbers and page references set forth in such report. The reviewed consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Note 2: The audited consolidated financial statements of the Group as at and for the year ended December 31, 2020 as set out herein have been reproduced from the Company's annual report for the year ended December 31, 2020, including the page numbers and page references set forth in such report. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Note 3: The audited consolidated financial statements of the Group as at and for the year ended December 31, 2019 as set out herein have been reproduced from the Company's annual report for the year ended December 31, 2019, including the page numbers and page references set forth in such report. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Note 4: The audited consolidated financial statements of the Hong Kong Group as at and for the year ended December 31, 2020 as set out herein have been reproduced from the Guarantor's annual financial statements for the year ended December 31, 2020, including the page numbers and page references set forth in financial statements. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Note 5: The audited consolidated financial statements of the Hong Kong Group as at and for the year ended December 31, 2019 as set out herein have been reproduced from the Guarantor's annual financial statements for the year ended December 31, 2019, including the page numbers and page references set forth in financial statements. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

*(Incorporated in the People's Republic of China with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of China International Capital Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 73 to 164, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, China

27 August 2021

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Notes	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Revenue:			
Fee and commission income	7	8,297,052,187	6,042,978,417
Interest income	8	3,431,922,995	2,500,774,036
Investment income	9	8,163,474,119	5,500,668,577
Total revenue		19,892,449,301	14,044,421,030
Other (losses)/income, net	10	(413,004,783)	248,188,821
Total revenue and other income		19,479,444,518	14,292,609,851
Expenses:			
Fee and commission expenses	11	1,105,467,064	806,017,646
Interest expenses	12	3,942,995,882	2,999,459,061
Staff costs	13	6,560,611,199	5,174,227,245
Depreciation and amortisation expenses	14	540,395,348	490,257,928
Tax and surcharges		59,437,226	50,954,462
Other operating expenses and costs	15	1,214,934,063	805,199,302
(Reversal of)/provision for impairment losses under expected credit loss ("ECL") model	16	(29,502,853)	167,261,838
Total expenses		13,394,337,929	10,493,377,482
Operating profit		6,085,106,589	3,799,232,369
Share of profits of associates and joint ventures		33,963,901	9,457,408
Profit before income tax		6,119,070,490	3,808,689,777
Less: Income tax expense	17	1,103,142,914	729,936,340
Profit for the period		5,015,927,576	3,078,753,437
Attributable to:			
Shareholders of the Company	18	5,007,028,294	3,051,785,319
Non-controlling interests		8,899,282	26,968,118
Basic earnings per share (in RMB per share)	18	1.00	0.69

The notes on pages 83 to 164 form part of this interim financial report.



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit for the period	5,015,927,576	3,078,753,437
Other comprehensive income for the period		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net gains from changes in fair value	87,129,620	103,004,113
– (Reversal of)/provision for impairment losses under ECL model	(7,038,532)	3,725,209
– Tax effect	(15,831,802)	20,199,271
– Net gains transferred to profit or loss on disposals	(28,540,222)	(193,818,347)
Interests in associates and joint ventures:		
– Share of other comprehensive income	–	101,571
Foreign currency translation difference of financial statements of overseas subsidiaries	(124,809,145)	106,922,023
Total other comprehensive income for the period, net of income tax	(89,090,081)	40,133,840
Total comprehensive income for the period	4,926,837,495	3,118,887,277
Attributable to:		
Shareholders of the Company	4,917,938,213	3,091,919,159
Non-controlling interests	8,899,282	26,968,118

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current assets:			
Property and equipment	19	867,614,393	748,398,324
Right-of-use assets	20	2,314,234,122	2,271,552,336
Goodwill	21	1,582,678,646	1,582,678,646
Intangible assets	22	331,547,969	310,819,976
Interests in associates and joint ventures		1,207,481,372	1,188,852,866
Financial assets at fair value through profit or loss	23	7,465,855,538	6,709,361,710
Financial assets held under resale agreements ("reverse REPOs")	24	664,544,428	902,186,358
Refundable deposits	25	13,757,112,972	11,768,323,935
Deferred tax assets	26	1,578,548,383	1,787,614,365
Other non-current assets	27	608,397,100	510,965,054
<b>Total non-current assets</b>		<b>30,378,014,923</b>	<b>27,780,753,570</b>
Current assets:			
Accounts receivable	28	54,983,327,869	43,493,774,685
Receivable from margin clients	29	36,417,311,524	33,884,813,279
Financial assets at fair value through other comprehensive income	30	36,235,106,892	37,212,187,524
Financial assets at fair value through profit or loss	23	281,854,851,219	240,896,335,935
Reverse REPOs	24	27,954,650,230	17,528,510,790
Derivative financial assets	31	14,637,593,586	12,311,263,836
Cash held on behalf of clients	32	80,486,617,079	60,950,716,097
Cash and bank balances	33	54,603,861,695	47,161,071,068
Other current assets		525,442,173	401,072,832
<b>Total current assets</b>		<b>587,698,762,267</b>	<b>493,839,746,046</b>
<b>Total assets</b>		<b>618,076,777,190</b>	<b>521,620,499,616</b>

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current liabilities:			
Financial liabilities at fair value through profit or loss	35	37,066,941,033	42,891,549,327
Derivative financial liabilities	31	19,945,466,835	24,682,534,637
Accounts payable to brokerage clients	36	86,054,478,211	70,655,180,456
Placements from financial institutions	37	23,688,094,653	34,516,414,695
Short-term debt securities issued	38	21,049,527,602	26,492,570,465
Financial assets sold under repurchase agreements ("REPOs")	39	33,984,265,455	25,101,083,823
Employee benefits payable		6,644,069,480	7,805,043,988
Income tax payable		834,142,720	915,619,202
Long-term debt securities issued due within one year	40	30,388,068,810	23,386,443,319
Lease liabilities		527,146,863	541,299,132
Contract liabilities	41	383,149,837	170,928,280
Other current liabilities	42	140,780,618,728	85,922,851,573
<b>Total current liabilities</b>		<b>401,345,970,227</b>	<b>343,081,518,897</b>
<b>Net current assets</b>		<b>186,352,792,040</b>	<b>150,758,227,149</b>
<b>Total assets less current liabilities</b>		<b>216,730,806,963</b>	<b>178,538,980,719</b>
Non-current liabilities:			
Non-current employee benefits payable		1,168,265,891	781,920,387
Long-term debt securities issued	40	134,990,624,963	104,614,517,533
Deferred tax liabilities	26	673,171,984	506,667,665
Lease liabilities		754,697,872	663,560,140
Other non-current liabilities		157,182,000	157,182,000
<b>Total non-current liabilities</b>		<b>137,743,942,710</b>	<b>106,723,847,725</b>
<b>Net assets</b>		<b>78,986,864,253</b>	<b>71,815,132,994</b>

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Equity:			
Share capital	43	4,827,256,868	4,827,256,868
Other equity instruments	44	8,500,000,000	5,000,000,000
Reserves	43	43,989,963,956	44,008,757,978
Retained profits		21,480,550,175	17,798,924,176
Total equity attributable to shareholders of the Company		78,797,770,999	71,634,939,022
Non-controlling interests		189,093,254	180,193,972
Total equity		78,986,864,253	71,815,132,994

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2021.

**Shen Rujun**  
Chairman of Board

**Huang Zhaohui**  
Chief Executive Officer

Company chop

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company										
	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital (Note 43(a))	Other equity instruments (Note 44)	Capital reserve (Note 43(b))	Surplus reserve (Note 43(b))	General reserves (Note 43(b))	Investment revaluation reserve (Note 43(b))	Foreign currency translation reserve (Note 43(b))				
At 1 January 2021	4,827,256,868	5,000,000,000	39,533,272,979	995,576,479	4,074,311,372	37,927,416	(632,330,268)	17,798,924,176	71,634,939,022	180,193,972	71,815,132,994
Changes in equity for the six months ended 30 June 2021											
Profit for the period	-	-	-	-	-	-	-	5,007,028,294	5,007,028,294	8,899,282	5,015,927,576
Other comprehensive income for the period	-	-	-	-	-	35,719,064	(124,809,145)	-	(89,090,081)	-	(89,090,081)
Total comprehensive income for the period	-	-	-	-	-	35,719,064	(124,809,145)	5,007,028,294	4,917,938,213	8,899,282	4,926,837,495
Appropriation to general reserves	-	-	-	-	70,296,059	-	-	(70,296,059)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(868,906,236)	(868,906,236)	-	(868,906,236)
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(386,200,000)	(386,200,000)	-	(386,200,000)
Issuance of perpetual subordinated bonds	-	3,500,000,000	-	-	-	-	-	-	3,500,000,000	-	3,500,000,000
At 30 June 2021 (Unaudited)	4,827,256,868	8,500,000,000	39,533,272,979	995,576,479	4,144,607,431	73,646,480	(757,139,413)	21,480,550,175	78,797,770,999	189,093,254	78,986,864,253

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company										
	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital (Note 43(a))	Other equity instruments (Note 44)	Capital reserve (Note 43(b))	Surplus reserve (Note 43(b))	General reserves (Note 43(b))	Investment revaluation reserve (Note 43(b))	Foreign currency translation reserve (Note 43(b))				
At 1 January 2020	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435
Changes in equity for the six months ended 30 June 2020											
Profit for the period	-	-	-	-	-	-	-	3,051,785,319	3,051,785,319	26,968,118	3,078,753,437
Other comprehensive income for the period	-	-	-	-	-	(66,788,183)	106,922,023	-	40,133,840	-	40,133,840
Total comprehensive income for the period	-	-	-	-	-	(66,788,183)	106,922,023	3,051,785,319	3,091,919,159	26,968,118	3,118,887,277
Appropriation to general reserves	-	-	-	-	10,869,216	-	-	(10,869,216)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	(15,431,034)	(15,431,034)
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Redemption of perpetual subordinated bonds	-	(1,000,000,000)	-	-	-	-	-	-	(1,000,000,000)	-	(1,000,000,000)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(1,003,402)	(1,003,402)
At 30 June 2020 (Unaudited)	4,368,667,868	-	26,931,646,975	736,558,479	3,212,062,372	124,219,499	191,039,265	14,764,524,043	50,328,718,501	248,269,775	50,576,988,276

The notes on pages 83 to 164 form part of this interim financial report.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	6,119,070,490	3,808,689,777
Adjustments for:		
Net financing interest expenses	2,842,174,254	2,050,354,006
Depreciation and amortisation expenses	540,395,348	490,257,928
(Reversal of)/provision for impairment losses under ECL model	(29,502,853)	167,261,838
Net (gains)/losses on disposal of property, equipment and other assets	(1,427,204)	977,879
Foreign exchange gains from derivatives and from others	(975,498,844)	(168,201,790)
(Gains)/losses on changes in fair value of financial instruments		
at fair value through profit or loss	(11,122,500,821)	2,092,233,502
Interest income from financial assets at fair value through other comprehensive income	(595,687,051)	(537,783,518)
Dividend income from investments in financial assets		
and share of profits of associates and joint ventures	(90,828,440)	(38,774,247)
Net gains on disposal of investments	(174,215,375)	(439,404,769)
Operating cash flows before movements in working capital	(3,488,020,496)	7,425,610,606
Increase in receivable from margin clients	(2,414,854,663)	(2,495,795,067)
Increase in accounts receivable, other receivables and prepayments	(13,260,256,314)	(9,790,898,393)
Increase in reverse REPOs	(10,032,936,419)	(1,933,035,370)
Increase in financial instruments at fair value through profit or loss	(40,763,403,217)	(36,526,639,261)
Increase in cash held on behalf of clients	(19,535,313,410)	(10,622,882,664)
(Increase)/decrease in restricted bank deposits	(137,812,853)	325,710,765
Increase in refundable deposits	(1,988,618,785)	(2,403,826,919)
Increase in accounts payable to brokerage clients	15,398,710,183	16,925,167,731
Increase in REPOs	8,906,586,685	19,376,840,040
Increase in other liabilities	43,075,447,219	16,750,742,609
Cash used in operating activities, before income tax	(24,240,472,070)	(2,969,005,923)
Income tax paid	(826,038,840)	(1,020,517,030)
Net cash used in operating activities	(25,066,510,910)	(3,989,522,953)

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Cash flows from investing activities:		
Cash receipts from disposal of investments	20,405,635,264	25,159,831,312
Cash receipts of investment returns	800,715,840	205,596,586
Proceeds from disposal of property, equipment and other long-term assets	5,090,063	4,890,630
Purchase of investments	(20,290,554,526)	(32,450,200,650)
Purchase of property, equipment and other long-term assets	(408,265,150)	(165,382,047)
Net cash outflows on disposal of a subsidiary	–	(469,103,820)
Net cash generated from/(used in) investing activities	512,621,491	(7,714,367,989)
Cash flows from financing activities:		
Proceeds from issuance of beneficiary certificates	23,247,087,747	27,733,495,769
Proceeds from issuance of corporate bonds	31,000,000,000	20,000,000,000
Proceeds from issuance of medium-term notes (“MTNs”)	9,727,050,000	6,982,600,000
Proceeds from issuance of subordinated bonds	7,000,000,000	3,500,000,000
Proceeds from issuance of perpetual subordinated bonds	3,500,000,000	–
Proceeds from issuance of structured notes	1,598,726,701	3,917,432,008
Redemption of beneficiary certificates	(29,413,201,138)	(28,187,177,412)
Redemption of corporate bonds	(4,000,000,000)	(7,500,000,000)
Redemption of MTNs	(3,894,780,000)	–
Redemption of structured notes	(3,831,407,461)	(3,906,825,898)
Redemption of perpetual subordinated bonds	–	(1,000,000,000)
Redemption of subordinated bonds	–	(1,000,000,000)
Repayment of lease liabilities	(310,442,736)	(243,903,207)
Cash paid for dividend or interest	(2,018,816,183)	(1,775,385,642)
Distribution to holders of perpetual subordinated bonds	–	(57,000,000)
Cash outflows associated with other financing activities	(3,783,821)	(3,601,566)
Net cash generated from financing activities	32,600,433,109	18,459,634,052

The notes on pages 83 to 164 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021 (Expressed in RMB, unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Net increase in cash and cash equivalents		8,046,543,690	6,755,743,110
Cash and cash equivalents at the beginning of the period		46,662,433,555	23,097,595,255
Effect of exchange rate changes		(778,595,672)	409,743,685
Cash and cash equivalents at the end of the period	34	53,930,381,573	30,263,082,050
Net cash used in operating activities including:			
Interest received		3,253,081,125	2,384,981,987
Interest paid		(1,150,939,030)	(991,917,852)

The notes on pages 83 to 164 form part of this interim financial report.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the “Company”) was established on 25 June 1995 in the People’s Republic of China (“PRC”) as approved by the People’s Bank of China (“PBOC”). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No.000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 November 2015 and was listed on the Shanghai Stock Exchange on 2 November 2020.

The Company’s unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Centre 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 30 June 2021, the Company has 23 securities business offices and 7 branches.

The Company and its subsidiaries (together “the Group”) are principally engaged in investment banking business, equities business, fixed-income, currency and commodity (“FICC”) business, asset management business, private equity business, wealth management business and other business activities.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standards Board (the “IASB”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020, except the changes in accounting policies that are expected to be adopted for the preparation of the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The condensed consolidated financial statements do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2020.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 3. CHANGES IN ACCOUNTING POLICIES

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRS issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16

*Covid-19-Related Rent Concessions*

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

The amendment to IFRS 16 provides a practical expedient to Covid-19-Related rent concessions if certain conditions are met. This amendment has no significant impact on the condensed consolidated financial statements.

As at 1 January 2021, the Group has certain financial assets, financial liabilities and derivatives, of which the interests are indexed to benchmark rates that may be subject to interest rate benchmark reform. After assessment, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures of the condensed consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty for the estimation used for the preparation of the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those for the preparation of the Group's financial statements for the year ended 31 December 2020.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 5. TAXATION

### (a) *Value-added tax (“VAT”) and surcharges*

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

### (b) *Income tax*

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong Special Administrative Region (“Hong Kong SAR”) is 16.5%. Taxes of other offshore subsidiaries are charged at the relevant local rates.

## 6. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the Group’s internal organizational structure, management requirements and internal reporting mechanisms. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group’s management for the purposes of resources allocation and performance evaluation; and
- for which statements of financial position, of profit or loss and of cash flows are available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- nature of the services;
- type or class of clients for the services;
- approaches to providing the services; and
- nature of the regulatory environment.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 6. SEGMENT REPORTING (continued)

For management purposes, the Group's businesses are structured and managed separately according to the nature of their operations and the services that the Group provides. Each of the Group's operating segments represents a strategic business unit and offers services which are subject to risks and returns different from those to which the services offered by the other operating segments are subject. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services to domestic and overseas corporations and institutional clients.
- the Equities segment provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions.
- the FICC segment provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities.
- the Asset Management segment designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business, etc.
- the Private Equity segment designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Funds of Funds, dollar funds, real estate funds, infrastructure funds, etc.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of transactional services, capital services and product configuration services, to retail clients, families and corporate clients.
- the Others segment mainly comprises of other business departments and back offices.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 6. SEGMENT REPORTING (continued)

### (a) Segment results

	Six months ended 30 June 2021							Total
	Investment Banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	
Segment revenue								
- Fee and commission income (Note 1)	2,258,905,324	1,642,923,471	437,646,280	568,891,567	720,080,539	2,655,713,900	12,891,106	8,297,052,187
- Interest income	26,574,104	410,646,027	642,129,094	32,975,051	11,223,369	1,948,718,034	359,657,316	3,431,922,995
- Investment income	731,857,075	3,534,382,686	2,170,994,275	38,932,138	458,938,077	350,511,985	877,857,883	8,163,474,119
- Other income/(losses), net	1,544,897	(364,547,530)	(108,934,983)	(491,057)	7,848,528	34,887,667	16,687,695	(413,004,783)
Segment revenue and other income	3,018,881,400	5,223,404,654	3,141,834,666	640,307,699	1,198,090,513	4,989,831,586	1,267,094,000	19,479,444,518
Segment expenses	2,239,227,179	1,536,541,465	2,026,370,339	579,691,433	619,744,271	3,342,738,920	3,050,024,322	13,394,337,929
Segment operating profit/(loss)	779,654,221	3,686,863,189	1,115,464,327	60,616,266	578,346,242	1,647,092,666	(1,782,930,322)	6,085,106,589
Share of profits/(losses) of associates and joint ventures	-	-	-	5,819,331	51,035,773	(31,934,749)	9,043,546	33,963,901
Profit/(loss) before income tax	779,654,221	3,686,863,189	1,115,464,327	66,435,597	629,382,015	1,615,157,917	(1,773,886,776)	6,119,070,490
Segment assets	9,267,835,379	220,636,765,786	121,391,069,327	2,708,346,364	5,779,732,002	120,981,971,921	135,732,508,028	616,498,228,807
Deferred tax assets								1,578,548,383
Total assets								618,076,777,190
Segment liabilities	7,879,487,669	213,999,373,463	111,560,904,355	2,090,517,020	3,209,624,358	109,699,054,881	89,977,779,207	538,416,740,953
Deferred tax liabilities								673,171,984
Total liabilities								539,089,912,937
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 2)	108,385,386	533,280,677	1,533,175,791	31,278,939	57,568,177	1,099,480,221	579,826,691	3,942,995,882
Depreciation and amortisation expenses	46,755,645	36,994,789	29,330,389	30,338,002	22,416,278	196,052,469	178,507,776	540,395,348
Provision for/(reversal of) impairment losses under ECL model	5,727,696	(19,297,747)	(2,282,667)	34,121,856	677,112	(48,392,728)	(56,375)	(29,502,853)

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 6. SEGMENT REPORTING (continued)

### (a) Segment results (continued)

	Six months ended 30 June 2020 (Note 3)							Total
	Investment Banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	
Segment revenue								
- Fee and commission income (Note 1)	1,702,340,807	993,432,329	355,365,317	397,858,180	665,583,823	1,927,443,693	954,268	6,042,978,417
- Interest income	25,571,676	242,285,200	605,179,268	6,718,940	7,254,133	1,407,828,504	205,936,315	2,500,774,036
- Investment income	693,825,317	1,873,129,542	1,974,081,330	30,246,392	148,001,921	178,571,529	602,812,546	5,500,668,577
- Other income, net	1,025,352	42,284,861	93,013,801	1,000,821	10,775,189	20,326,614	79,762,183	248,188,821
Segment revenue and other income	2,422,763,152	3,151,131,932	3,027,639,716	435,824,333	831,615,066	3,534,170,340	889,465,312	14,292,609,851
Segment expenses	1,743,884,340	1,068,311,394	1,726,945,497	395,811,801	549,564,066	2,404,618,383	2,604,242,001	10,493,377,482
Segment operating profit/(loss)	678,878,812	2,082,820,538	1,300,694,219	40,012,532	282,051,000	1,129,551,957	(1,714,776,689)	3,799,232,369
Share of profits/(losses) of associates and joint ventures	-	-	-	3,803,958	(6,183,507)	827,653	11,009,304	9,457,408
Profit/(loss) before income tax	678,878,812	2,082,820,538	1,300,694,219	43,816,490	275,867,493	1,130,379,610	(1,703,767,385)	3,808,689,777
Segment assets	4,464,244,443	145,300,418,560	130,014,043,785	3,486,087,212	4,191,507,537	92,056,352,848	57,508,504,892	437,021,159,277
Deferred tax assets								1,153,773,961
Total assets								438,174,933,238
Segment liabilities	5,491,501,336	143,154,716,936	112,859,233,318	1,891,177,560	2,134,224,123	78,484,419,618	43,149,623,187	387,164,896,078
Deferred tax liabilities								433,048,884
Total liabilities								387,597,944,962
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 2)	102,879,986	394,949,532	1,283,261,922	31,586,748	23,534,740	759,036,986	404,209,147	2,999,459,061
Depreciation and amortisation expenses	51,016,177	33,963,915	27,454,657	29,084,009	23,180,380	179,184,949	146,373,841	490,257,928
Provision for/(reversal of) impairment losses under ECL model	169,044,042	3,397,878	4,064,993	81,871	(12,497,397)	2,303,481	866,970	167,261,838

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 6. SEGMENT REPORTING (continued)

### (a) Segment results (continued)

Note 1: Disaggregation of revenue was disclosed in Note 7. Brokerage commission is mainly generated from brokerage service provided by Equities and Wealth Management segments; underwriting and sponsoring fees and financial advisory fees are mainly generated by Investment Banking segment; asset management fees are mainly generated by Asset Management, Private Equity and Wealth Management segments.

Note 2: The Group allocates interest expenses across the reportable segments based on the capital used during the reporting period for the purpose of measuring segment operating performance and improving efficiencies of capital management.

Note 3: Based on the Group's strategic layout and needs of internal management, the former Investment Management was divided into and presented as Asset Management and Private Equity. The information of comparative period was restated accordingly.

### (b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, reverse REPOs, refundable deposits and deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations in which the services or the products are rendered. The geographical locations of the non-current assets are identified based on where the fixed assets are located, where the intangible assets are allocated or where the associates and joint ventures operate.

	Revenue and other income from external clients	
	Six months ended 30 June	
	2021	2020
Mainland China	15,045,415,581	12,081,768,389
Outside mainland China	4,434,028,937	2,210,841,462
Total	19,479,444,518	14,292,609,851
	Non-current assets	
	As at 30 June 2021	As at 31 December 2020
Mainland China	5,860,522,665	4,896,853,135
Outside mainland China	1,051,430,937	1,716,414,067
Total	6,911,953,602	6,613,267,202

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 6. SEGMENT REPORTING (continued)

### (b) Geographical information (continued)

Reconciliation of segment non-current assets:

	Non-current assets	
	As at 30 June 2021	As at 31 December 2020
Total non-current assets for segments	32,815,731,116	29,361,611,314
Elimination of inter-segment non-current assets	(25,903,777,514)	(22,748,344,112)
Total	6,911,953,602	6,613,267,202

### (c) Major clients

The Group's client base is diversified and there was no case where the revenue recognised from a single client exceeded 10% of the Group's revenue for the six months ended 30 June 2021 and ended 30 June 2020.

## 7. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
Brokerage commission income	3,711,349,362	2,633,563,338
Underwriting and sponsoring fees	2,303,783,973	1,813,904,998
Asset management fees	1,456,984,677	1,124,334,961
Financial advisory fees	476,982,058	267,312,959
Investment advisory fees	318,258,051	187,431,202
Others	29,694,066	16,430,959
Total	8,297,052,187	6,042,978,417

Note: The accounting policies of revenue disaggregation and recognition applied in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the Group's annual financial statements for the year ended 31 December 2020.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 8. INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income from margin financing and securities lending	1,343,409,905	844,700,343
Interest income from financial institutions	979,587,282	800,610,583
Interest income from financial assets at fair value through other comprehensive income	595,687,051	537,783,518
Interest income from reverse REPOs	464,117,796	292,069,668
Others	49,120,961	25,609,924
<b>Total</b>	<b>3,431,922,995</b>	<b>2,500,774,036</b>

## 9. INVESTMENT INCOME

	Six months ended 30 June	
	2021	2020
Net gains from disposal of financial assets at fair value through other comprehensive income	28,540,222	193,818,347
Net gains from financial instruments at fair value through profit or loss	16,526,931,155	12,996,941,240
Net losses from derivative financial instruments	(8,392,250,467)	(7,918,202,287)
Others (Note)	253,209	228,111,277
<b>Total</b>	<b>8,163,474,119</b>	<b>5,500,668,577</b>

Note: For the six months ended 30 June 2020, other investment income mainly consisted of a gain of RMB214 million arising from disposal of a subsidiary owned by China CICC Wealth Management Securities Company Limited ("CICC Wealth Management", "CISC" or "CICC WMS"). CICC Wealth Management is a wholly owned subsidiary of the Company.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 10. OTHER (LOSSES)/INCOME, NET

	Note	Six months ended 30 June	
		2021	2020
Tax refunds		42,078,090	25,639,939
Government grants		40,014,605	43,494,576
Foreign exchange (losses)/gains from derivatives		(126,263,462)	277,395,189
Others	(i)	(368,834,016)	(98,340,883)
Total		(413,004,783)	248,188,821

(i) Others mainly consisted of gains and losses of foreign currency transactions due to exchange rate fluctuations.

## 11. FEE AND COMMISSION EXPENSES

		Six months ended 30 June	
		2021	2020
Brokerage commission expenses		913,197,069	632,455,244
Underwriting and sponsoring expenses		86,760,826	80,598,951
Asset management expenses		105,509,169	92,963,451
Total		1,105,467,064	806,017,646

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 12. INTEREST EXPENSES

	Six months ended 30 June	
	2021	2020
Interest expenses on:		
– Corporate bonds	1,616,351,055	826,693,602
– Subordinated bonds	629,972,895	492,312,887
– Placements from financial institutions	441,409,092	358,889,274
– REPOs	373,709,395	290,700,202
– MTNs	254,728,421	261,838,532
– Beneficiary certificates	231,447,121	250,623,362
– Accounts payable to brokerage clients	135,186,037	105,695,134
– Financial bonds	42,026,712	42,258,904
– Structured notes	38,776,688	98,782,270
– Lease liabilities	27,376,647	32,028,502
– Others	152,011,819	239,636,392
Total	3,942,995,882	2,999,459,061

## 13. STAFF COSTS

	Six months ended 30 June	
	2021	2020
Salaries, bonus and allowance	6,003,450,797	4,879,939,023
Retirement scheme contributions	234,949,822	76,439,801
Other social welfare	233,105,159	145,005,812
Other benefits	89,105,421	72,842,609
Total	6,560,611,199	5,174,227,245

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain ratios of salaries. The Group has no other material obligations of payment for retirement benefits to its employees beyond the annual contributions described above.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 14. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2021	2020
Depreciation of right-of-use assets	304,626,606	297,313,060
Depreciation of property and equipment	167,691,599	136,942,037
Amortisation of intangible assets	67,502,983	55,400,893
Others	574,160	601,938
Total	540,395,348	490,257,928

## 15. OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2021	2020
Business development expenses	392,283,859	239,333,998
Information technology related expenses	263,973,101	181,292,764
Travelling and transportation expenses	150,686,187	64,154,956
Professional service fees	83,708,531	64,581,602
Securities Investor Protection Fund	48,645,180	39,524,973
Utilities and maintenance	38,480,768	36,059,055
Lease expenses	28,208,302	13,052,571
Auditors' remuneration	4,000,000	3,000,000
Others	204,948,135	164,199,383
Total	1,214,934,063	805,199,302

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 16. (REVERSAL OF)/PROVISION FOR IMPAIRMENT LOSSES UNDER ECL MODEL

	Six months ended 30 June	
	2021	2020
Impairment losses (reversed)/provided for:		
Accounts receivable and other assets	39,708,909	156,395,095
Receivable from margin clients	10,623,450	6,921,015
Reverse REPOs	(72,721,631)	235,939
Financial assets at fair value through other comprehensive income	(7,001,160)	3,577,463
Cash and bank balances	(112,421)	132,326
Total	(29,502,853)	167,261,838

## 17. INCOME TAX EXPENSE

### (a) Taxation in the condensed consolidated statement of profit or loss:

	Six months ended 30 June	
	2021	2020
Current tax		
– Mainland China income tax	386,794,923	585,520,723
– Hong Kong SAR profits tax	357,767,435	115,744,841
Subtotal	744,562,358	701,265,564
Deferred tax		
– Origination and reversal of temporary differences	358,580,556	28,670,776
Total	1,103,142,914	729,936,340

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 17. INCOME TAX EXPENSE (continued)

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in mainland China during the period. Taxes on profits assessable outside mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. Reconciliation between income tax expense that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the condensed consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2021	2020
Profit before income tax	6,119,070,490	3,808,689,777
Income tax calculated at the PRC statutory income tax rate	1,529,767,623	952,172,444
Effect of non-deductible expenses	17,689,003	14,853,444
Effect of non-taxable income	(221,598,682)	(203,810,494)
Effect of different applicable tax rates of the subsidiaries	(298,310,179)	2,034,889
Effect of deductible temporary differences or deductible tax losses		
with no deferred tax asset recognised in the period	38,590,919	67,651,427
Effect of using the deductible temporary differences or deductible tax losses		
with no deferred tax asset recognised in previous period	(4,987,742)	(5,148,071)
Others	41,991,972	(97,817,299)
Total income tax expense	1,103,142,914	729,936,340

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 18. BASIC EARNINGS PER SHARE

	Six months ended 30 June	
	2021	2020
Profit attributable to shareholders of the Company	5,007,028,294	3,051,785,319
Interest for holders of perpetual subordinated bonds for the period	(159,661,918)	(23,112,329)
Total	4,847,366,376	3,028,672,990
Weighted average number of ordinary shares in issue	4,827,256,868	4,368,667,868
Basic earnings per share (in RMB per share)	1.00	0.69

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the six months ended 30 June 2021 and ended 30 June 2020 as the Company had no potential ordinary shares in issue during the periods.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 19. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 31 December 2020	92,721,687	1,600,593,892	105,571,362	21,250,345	811,121,887	37,337,284	2,668,596,457
Additions and transfer-in	-	181,513,035	7,504,890	-	47,328,015	79,833,388	316,179,328
Transfer-out	-	-	-	-	-	(25,120,316)	(25,120,316)
Disposals	-	(55,042,541)	(1,386,000)	(6,719,442)	(2,584,122)	-	(65,732,105)
Effect of changes in exchange rates	-	(1,542,032)	(163,973)	-	(1,678,092)	-	(3,384,097)
As at 30 June 2021	92,721,687	1,725,522,354	111,526,279	14,530,903	854,187,688	92,050,356	2,890,539,267
<b>Accumulated depreciation</b>							
As at 31 December 2020	(41,485,338)	(1,167,366,201)	(78,923,235)	(17,163,812)	(615,259,547)	-	(1,920,198,133)
Additions	(2,225,286)	(111,840,198)	(6,807,807)	(202,583)	(46,615,725)	-	(167,691,599)
Disposals	-	52,465,029	1,268,577	6,321,377	2,584,122	-	62,639,105
Effect of changes in exchange rates	-	1,191,137	118,228	-	1,016,388	-	2,325,753
As at 30 June 2021	(43,710,624)	(1,225,550,233)	(84,344,237)	(11,045,018)	(658,274,762)	-	(2,022,924,874)
<b>Carrying amount</b>							
As at 30 June 2021	49,011,063	499,972,121	27,182,042	3,485,885	195,912,926	92,050,356	867,614,393
As at 31 December 2020	51,236,349	433,227,691	26,648,127	4,086,533	195,862,340	37,337,284	748,398,324

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 19. PROPERTY AND EQUIPMENT (continued)

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Transfer-out due to disposals of subsidiaries	–	(4,496,590)	(37,147)	(593,130)	(7,261,768)	–	(12,388,635)
Additions and transfer-in	1,391,695	216,248,401	7,830,289	360,080	66,793,587	58,823,981	351,448,033
Transfer-out	–	–	–	–	–	(28,000,836)	(28,000,836)
Disposals	–	(84,484,221)	(5,605,381)	(33,261,678)	(45,365,875)	–	(168,717,155)
Effect of changes in exchange rates	–	(8,112,852)	(1,055,326)	(6,595)	(9,107,529)	–	(18,282,302)
As at 31 December 2020	92,721,687	1,600,593,892	105,571,362	21,250,345	811,121,887	37,337,284	2,668,596,457
<b>Accumulated depreciation</b>							
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	–	(1,815,030,632)
Transfer-out due to disposals of subsidiaries	–	3,960,597	14,859	593,130	6,958,083	–	11,526,669
Additions	(4,361,097)	(190,552,412)	(11,449,962)	(2,018,424)	(76,898,369)	–	(285,280,264)
Disposals	–	79,246,758	5,141,517	29,582,897	45,345,873	–	159,317,045
Effect of changes in exchange rates	–	5,047,892	20,522	6,595	4,194,040	–	9,269,049
As at 31 December 2020	(41,485,338)	(1,167,366,201)	(78,923,235)	(17,163,812)	(615,259,547)	–	(1,920,198,133)
<b>Carrying amount</b>							
As at 31 December 2020	51,236,349	433,227,691	26,648,127	4,086,533	195,862,340	37,337,284	748,398,324
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 20. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
<b>Cost</b>				
As at 31 December 2020	2,192,003,536	1,266,558,879	877,867	3,459,440,282
Increases	400,557,277	–	–	400,557,277
Decreases	(68,477,848)	–	–	(68,477,848)
Effect of changes in exchange rates	(5,864,091)	–	(4,707)	(5,868,798)
As at 30 June 2021	2,518,218,874	1,266,558,879	873,160	3,785,650,913
<b>Accumulated depreciation</b>				
As at 31 December 2020	(1,002,613,003)	(184,821,786)	(453,157)	(1,187,887,946)
Increases	(304,573,638)	(16,455,329)	(78,671)	(321,107,638)
Decreases	36,516,397	–	–	36,516,397
Effect of changes in exchange rates	1,061,810	–	586	1,062,396
As at 30 June 2021	(1,269,608,434)	(201,277,115)	(531,242)	(1,471,416,791)
<b>Carrying amount</b>				
As at 30 June 2021	1,248,610,440	1,065,281,764	341,918	2,314,234,122
As at 31 December 2020	1,189,390,533	1,081,737,093	424,710	2,271,552,336

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 20. RIGHT-OF-USE ASSETS (continued)

	Buildings	Leasehold land	Equipment	Total
<b>Cost</b>				
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Increases	317,109,121	–	74,410	317,183,531
Decreases	(116,914,915)	–	–	(116,914,915)
Effect of changes in exchange rates	(32,033,979)	–	(87,992)	(32,121,971)
As at 31 December 2020	2,192,003,536	1,266,558,879	877,867	3,459,440,282
<b>Accumulated depreciation</b>				
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Increases	(568,695,032)	(32,910,658)	(162,125)	(601,767,815)
Decreases	92,838,106	–	–	92,838,106
Effect of changes in exchange rates	8,767,756	–	58,773	8,826,529
As at 31 December 2020	(1,002,613,003)	(184,821,786)	(453,157)	(1,187,887,946)
<b>Carrying amount</b>				
As at 31 December 2020	1,189,390,533	1,081,737,093	424,710	2,271,552,336
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 21. GOODWILL

### (a) *Changes in goodwill*

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	1,582,678,646	1,582,678,646
Additions for the period/year	–	–
Subtotal	1,582,678,646	1,582,678,646
Less: Impairment loss allowance	–	–
Carrying amount	1,582,678,646	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid, as the cost of the acquisition, the consideration of RMB16,700,695,000 in the form of share issuance. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

### (b) *Impairment test*

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilising strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the cash-generating unit of wealth management.

As at 30 June 2021, no indications of impairment came to attention of the management.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 22. INTANGIBLE ASSETS

	Securities trading seat rights	Others (Note)	Total
<b>Cost</b>			
As at 31 December 2020	163,112,847	603,671,526	766,784,373
Additions	–	88,232,805	88,232,805
Disposal	–	(1,324,831)	(1,324,831)
Effect of changes in exchange rates	–	(4,780)	(4,780)
As at 30 June 2021	163,112,847	690,574,720	853,687,567
<b>Accumulated amortisation</b>			
As at 31 December 2020	(109,487,844)	(346,476,553)	(455,964,397)
Additions	(4,290,000)	(63,212,983)	(67,502,983)
Disposal	–	1,324,831	1,324,831
Effect of changes in exchange rates	–	2,951	2,951
As at 30 June 2021	(113,777,844)	(408,361,754)	(522,139,598)
<b>Carrying amount</b>			
As at 30 June 2021	49,335,003	282,212,966	331,547,969
As at 31 December 2020	53,625,003	257,194,973	310,819,976

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 22. INTANGIBLE ASSETS (continued)

	Securities trading seat rights	Others (Note)	Total
<b>Cost</b>			
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Transfer-out due to disposals of subsidiaries	(885,930)	(1,553,999)	(2,439,929)
Additions	–	142,967,169	142,967,169
Disposals	–	(3,926,177)	(3,926,177)
Effect of changes in exchange rates	(9,850)	(44,348)	(54,198)
As at 31 December 2020	163,112,847	603,671,526	766,784,373
<b>Accumulated amortisation</b>			
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Transfer-out due to disposals of subsidiaries	–	1,520,400	1,520,400
Additions	(8,597,500)	(107,214,047)	(115,811,547)
Disposals	–	3,445,863	3,445,863
Effect of changes in exchange rates	–	17,736	17,736
As at 31 December 2020	(109,487,844)	(346,476,553)	(455,964,397)
<b>Carrying amount</b>			
As at 31 December 2020	53,625,003	257,194,973	310,819,976
As at 31 December 2019	63,118,283	221,982,376	285,100,659

Note: Others mainly included computer software used by the Group.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### *Non-current*

	As at 30 June 2021	As at 31 December 2020
Equity securities	7,465,855,538	6,709,361,710

### *Current*

	As at 30 June 2021	As at 31 December 2020
Equity securities	113,121,596,918	104,210,837,992
Debt securities (Note)	85,559,527,572	80,814,486,684
Funds and other investments	83,173,726,729	55,871,011,259
Total	281,854,851,219	240,896,335,935

Note: As at 30 June 2021, the perpetual bonds included in debt securities amounted to RMB14,514,134,620 (31 December 2020: RMB13,646,545,485).

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”)

### (a) Analysed by collateral type:

#### Non-current

	As at 30 June 2021	As at 31 December 2020
Stocks	639,842,900	886,465,533
Accrued interests	25,761,327	18,705,684
Less: Impairment loss allowance	(1,059,799)	(2,984,859)
Total	664,544,428	902,186,358

#### Current

	As at 30 June 2021	As at 31 December 2020
Stocks	9,873,336,173	8,697,855,495
Debt securities	18,091,397,607	8,987,319,233
Subtotal	27,964,733,780	17,685,174,728
Accrued interests	218,751,800	142,967,983
Less: Impairment loss allowance	(228,835,350)	(299,631,921)
Total	27,954,650,230	17,528,510,790

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”) (continued)

### (b) Analysed by market:

#### Non-current

	As at 30 June 2021	As at 31 December 2020
Stock exchanges	205,333,887	550,856,785
Over-the-counter market	459,210,541	351,329,573
Total	664,544,428	902,186,358

#### Current

	As at 30 June 2021	As at 31 December 2020
Stock exchanges	26,900,827,060	15,465,920,946
Inter-bank market	679,421,457	1,727,510,775
Over-the-counter market	374,401,713	335,079,069
Total	27,954,650,230	17,528,510,790

The Group receives securities as collateral in connection with reverse REPO business. The Group is allowed to sell or re-pledge the collaterals held in connection with debt securities outright REPO business in the absence of default of its counterparties. If the securities depreciate in value, the Group may, in certain circumstances, require additional collaterals. The Group has an obligation to return the collaterals to its counterparties at the expiration of the agreements.

As at 30 June 2021, the collateral received by the Group in connection with reverse REPO business amounted to RMB55,002,179,081 (31 December 2020: RMB43,423,699,202).

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”) (continued)

### (c) Analysis of the movement in impairment loss allowance:

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	302,616,780	30,598,140
(Reversed)/provided for the period/year	(72,721,631)	287,054,140
Write-offs for the period/year	–	(15,035,500)
At the end of the period/year	229,895,149	302,616,780

	12-month ECL	As at 30 June 2021		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	46,376,358	4,822,657	178,696,134	229,895,149

	12-month ECL	As at 31 December 2020		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	41,298,123	7,386,813	253,931,844	302,616,780

## 25. REFUNDABLE DEPOSITS

	As at 30 June 2021	As at 31 December 2020
Self-owned refundable deposits	7,759,925,289	8,107,621,610
Refundable deposits held on behalf of clients	5,996,467,362	3,660,152,256
Subtotal	13,756,392,651	11,767,773,866
Accrued interests	720,321	550,069
Total	13,757,112,972	11,768,323,935

Refundable deposits are mainly placed at stock exchanges and clearinghouses, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 26. DEFERRED TAX ASSETS/(LIABILITIES)

### (a) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position and the movement during the period/year are as follows:

	As at 1 January 2021	Credited/ (charged) to profit or loss	(Charged)/ credited to equity	Effect of changes in exchange rates	As at 30 June 2021		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	1,286,938,753	7,086,735	-	(59,136)	1,293,966,352	1,293,966,352	-
Deductible tax losses	65,048,404	566,534,126	-	(951,343)	630,631,187	630,631,187	-
Depreciation and amortisation	(29,798,976)	(10,690,280)	-	(12,918)	(40,502,174)	1,788,157	(42,290,331)
Changes in fair values of financial instruments at fair value through profit or loss	(282,134,833)	(1,064,766,499)	-	(6,206)	(1,346,907,538)	20,532,892	(1,367,440,430)
Changes in fair values of financial assets at fair value through other comprehensive income	(4,795,623)	-	(17,435,071)	136,215	(22,094,479)	722,430	(22,816,909)
Fair value adjustment arising from acquisition of a subsidiary	(167,194,386)	1,272,239	-	-	(165,922,147)	-	(165,922,147)
Others	412,883,361	141,983,123	1,445,237	(106,523)	556,205,198	571,409,720	(15,204,522)
Subtotal	1,280,946,700	(358,580,556)	(15,989,834)	(999,911)	905,376,399	2,519,050,738	(1,613,674,339)
Set off						(940,502,355)	940,502,355
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position						1,578,548,383	(673,171,984)

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 26. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

### (a) Deferred tax assets and liabilities recognised (continued)

	As at 1 January 2020	Credited/ (charged) to profit or loss	Credited/ (charged) to equity	Effect of changes in exchange rates	As at 31 December 2020		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	830,304,832	457,384,927	–	(751,006)	1,286,938,753	1,286,938,753	–
Deductible tax losses	33,729,748	34,680,521	–	(3,361,865)	65,048,404	65,048,404	–
Depreciation and amortisation	(30,173,159)	429,382	–	(55,199)	(29,798,976)	1,709,895	(31,508,871)
Changes in fair values of financial instruments at fair value through profit or loss	(78,058,586)	(204,197,972)	–	121,725	(282,134,833)	225,082,043	(507,216,876)
Changes in fair values of financial assets at fair value through other comprehensive income	(53,438,968)	–	48,518,724	124,621	(4,795,623)	7,288,066	(12,083,689)
Fair value adjustment arising from acquisition of a subsidiary	(174,993,509)	7,799,123	–	–	(167,194,386)	–	(167,194,386)
Others	201,186,197	213,832,260	(474,066)	(1,661,030)	412,883,361	429,188,090	(16,304,729)
Subtotal	728,556,555	509,928,241	48,044,658	(5,582,754)	1,280,946,700	2,015,255,251	(734,308,551)
Set off						(227,640,886)	227,640,886
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position						1,787,614,365	(506,667,665)

### (b) Deferred tax assets not recognised

As at 30 June 2021, the accumulated deductible temporary differences and deductible tax losses with no deferred tax asset recognised of the Group amounted to RMB1,910 million (31 December 2020: RMB1,505 million).

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 27. OTHER NON-CURRENT ASSETS

	As at 30 June 2021	As at 31 December 2020
Rental and other deposits	184,621,886	150,211,057
Others	597,133,938	528,831,735
Subtotal	781,755,824	679,042,792
Less: Impairment loss allowance	(173,358,724)	(168,077,738)
Total	608,397,100	510,965,054

### (a) Analysis of the movement in impairment loss allowance:

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	168,077,738	20,821,165
(Reversed)/provided for the period/year	(194,969)	170,654,092
Write-offs for the period/year	–	(10,721,771)
Effect of changes in exchange rates and others	5,475,955	(12,675,748)
At the end of the period/year	173,358,724	168,077,738

As at 30 June 2021			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired
Impairment loss allowance	916,089	7,381,217	165,061,418
			Total
			173,358,724

As at 31 December 2020			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired
Impairment loss allowance	1,325,671	–	166,752,067
			Total
			168,077,738



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 28. ACCOUNTS RECEIVABLE

### (a) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Trade receivable (Note)	52,033,426,560	41,104,785,042
Asset management fees receivable	1,654,331,635	1,310,345,227
Underwriting and advisory fees receivable	1,547,737,063	1,296,068,783
Trading seat rental fees receivable	238,889,151	195,405,526
Others	169,732,578	212,101,324
Subtotal	55,644,116,987	44,118,705,902
Less: Impairment loss allowance	(660,789,118)	(624,931,217)
Total	54,983,327,869	43,493,774,685

Note: Trade receivable mainly consisted of receivables from brokers and clearinghouses for trade settlements and from counterparties in derivative transactions and deposits for securities-based lending.

### (b) Analysed by aging:

	As at 30 June 2021			
	Gross amount Amount	%	Impairment loss allowance Amount	%
Within 1 year (inclusive)	54,112,175,033	97.25%	(233,594,922)	35.35%
1 – 2 years (inclusive)	1,035,748,232	1.86%	(163,068,248)	24.68%
2 – 3 years (inclusive)	212,810,633	0.38%	(101,540,457)	15.37%
More than 3 years	283,383,089	0.51%	(162,585,491)	24.60%
Total	55,644,116,987	100.00%	(660,789,118)	100.00%

	As at 31 December 2020			
	Gross amount Amount	%	Impairment loss allowance Amount	%
Within 1 year (inclusive)	42,357,168,020	96.00%	(206,675,937)	33.08%
1 – 2 years (inclusive)	1,317,021,385	2.99%	(197,759,198)	31.64%
2 – 3 years (inclusive)	141,947,812	0.32%	(94,563,609)	15.13%
More than 3 years	302,568,685	0.69%	(125,932,473)	20.15%
Total	44,118,705,902	100.00%	(624,931,217)	100.00%

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 28. ACCOUNTS RECEIVABLE (continued)

### (c) Analysis of the movement in impairment loss allowance:

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	624,931,217	233,301,015
Provided for the period/year	39,900,247	399,212,753
Write-offs for the period/year	(2,546,702)	(5,901,123)
Effect of changes in exchange rates and others	(1,495,644)	(1,681,428)
At the end of the period/year	660,789,118	624,931,217

	12-month ECL	As at 30 June 2021		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	237,635,061	59,256,837	363,897,220	660,789,118

	12-month ECL	As at 31 December 2020		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	243,346,795	59,555,430	322,028,992	624,931,217

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 29. RECEIVABLE FROM MARGIN CLIENTS

### (a) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Individuals	30,762,143,470	29,229,190,952
Institutions	4,992,635,016	4,110,732,871
Subtotal	35,754,778,486	33,339,923,823
Accrued interests	809,818,510	681,692,892
Less: Impairment loss allowance	(147,285,472)	(136,803,436)
Total	36,417,311,524	33,884,813,279

### (b) Analysed by fair value of collaterals:

	As at 30 June 2021	As at 31 December 2020
Stocks	116,635,098,466	102,655,533,418
Cash	5,532,193,915	4,629,138,045
Funds	7,908,478,929	5,758,757,056
Debt securities	226,938,871	116,697,735
Total	130,302,710,181	113,160,126,254

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 29. RECEIVABLE FROM MARGIN CLIENTS (continued)

### (c) Analysis of the movement in impairment loss allowance:

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	136,803,436	42,952,110
Provided for the period/year	10,623,450	111,960,873
Effect of changes in exchange rates and others	(141,414)	(18,109,547)
At the end of the period/year	147,285,472	136,803,436

	As at 30 June 2021			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	143,011,019	4,047,807	226,646	147,285,472

	As at 31 December 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	131,830,972	4,832,093	140,371	136,803,436

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 30. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### (a) Analysed by type:

	As at 30 June 2021	As at 31 December 2020
At fair value		
– Debt securities	36,235,106,892	37,212,187,524

### (b) Analysed by listing status:

	As at 30 June 2021	As at 31 December 2020
Listed		
– In Hong Kong, China	3,952,919,293	2,071,334,212
– Outside Hong Kong, China	32,282,187,599	35,140,853,312
Total	36,235,106,892	37,212,187,524

### (c) Analysis of the movement in impairment loss allowance:

	Six months ended 30 June 2021	Year ended 31 December 2020
At the beginning of the period/year	18,166,922	17,043,688
(Reversed)/provided for the period/year	(7,001,160)	1,841,028
Effect of changes in exchange rates and others	(37,372)	(717,794)
At the end of the period/year	11,128,390	18,166,922

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 30. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

### (c) Analysis of the movement in impairment loss allowance: (continued)

	12-month ECL	As at 30 June 2021		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	11,128,390	–	–	11,128,390

	12-month ECL	As at 31 December 2020		Total
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Impairment loss allowance	18,166,922	–	–	18,166,922

## 31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Notional amount	As at 30 June 2021	
		Fair value	
		Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	7,890,000,000	107,359,489	–
Non-hedging instruments			
– Interest rate contracts	459,852,359,979	672,266,553	(637,734,124)
– Currency contracts	121,310,429,222	1,614,363,147	(1,865,936,246)
– Equity contracts	398,914,664,660	11,743,801,331	(17,798,772,290)
– Credit contracts	1,125,103,500	5,364,034	(13,010,974)
– Other contracts (Note)	49,893,582,196	500,358,863	(334,714,726)
Total	1,038,986,139,557	14,643,513,417	(20,650,168,360)
Less: Settlement		(5,919,831)	704,701,525
Net position		14,637,593,586	(19,945,466,835)

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

	As at 31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	9,590,000,000	147,610,386	–
Non-hedging instruments			
– Interest rate contracts	405,563,762,807	610,719,055	(666,826,709)
– Currency contracts	122,152,208,668	1,925,466,923	(3,427,667,304)
– Equity contracts	301,153,269,581	9,045,945,509	(20,693,731,679)
– Credit contracts	1,228,896,500	10,146,455	(10,762,169)
– Other contracts (Note)	54,619,624,733	609,631,600	(585,781,254)
Total	894,307,762,289	12,349,519,928	(25,384,769,115)
Less: Settlement		(38,256,092)	702,234,478
Net position		12,311,263,836	(24,682,534,637)

Note: Other contracts mainly include commodity options and commodity futures.

Under a daily mark-to-market settlement arrangement, any gains or losses of the Group's positions in futures contracts in mainland China are settled daily. As at 30 June 2021, derivative financial assets of RMB5,919,831 arose from unexpired treasury bond futures contracts (31 December 2020: derivative financial assets of RMB38,256,092 arose from unexpired commodity and treasury bond futures contracts); derivative financial liabilities of RMB704,701,525 arose from unexpired commodity and stock index futures contracts (31 December 2020: derivative financial liabilities of RMB702,234,478 arose from unexpired stock index futures contracts). These gains or losses are reflected as settlement in the tables above.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

### (a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial liabilities due to movements in market interest rates. Interest rate swaps are used to hedge the interest rate risk of the selected long-term debt securities issued.

The gains of fair value hedges are presented as follows:

	Six months ended 30 June	
	2021	2020
Gains arising from fair value hedges, net:		
Interest rate contracts	2,294,668	133,909,510
Hedged items attributable to the hedged risk	19,866,324	(102,694,920)
Total	22,160,992	31,214,590

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 30 June 2021			
	Less than 6 months (inclusive)	6 months to 12 months (inclusive)	More than 12 months	Total
Hedging instruments-interest rate contracts	1,500,000,000	1,550,000,000	4,840,000,000	7,890,000,000

	As at 31 December 2020			
	Less than 6 months (inclusive)	6 months to 12 months (inclusive)	More than 12 months	Total
Hedging instruments-interest rate contracts	1,400,000,000	2,000,000,000	6,190,000,000	9,590,000,000

Details of the Group's hedged risk exposure in fair value hedges strategy are set out below:

	As at 30 June 2021	As at 31 December 2020
Long-term debt securities issued		
Carrying amount of hedged items	8,110,323,258	9,878,977,040
Accumulated adjustments to the fair value of hedged items	142,218,600	207,364,163

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 32. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold client monies arising from its ordinary course of business. The Group has classified their client monies as cash held on behalf of clients under current assets of the condensed consolidated statement of financial position and recognised the corresponding current liabilities, in particular, accounts payable to brokerage clients and accounts payable to underwriting clients, on the grounds that the Group is liable for any misappropriation of their clients' monies. In mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong SAR, clients' monies are restricted and governed by the *Securities and Futures (Client Money) Rules* under the *Securities and Futures Ordinance*.

## 33. CASH AND BANK BALANCES

	As at 30 June 2021	As at 31 December 2020
Cash on hand	163,634	139,386
Deposits with banks	49,282,348,179	44,082,495,955
Deposits with clearinghouses	5,212,732,005	3,006,847,606
Subtotal	54,495,243,818	47,089,482,947
Accrued interests	108,673,907	71,756,629
Less: Impairment loss allowance	(56,030)	(168,508)
Total	54,603,861,695	47,161,071,068

## 34. CASH AND CASH EQUIVALENTS

	As at 30 June 2021	As at 31 December 2020
Cash on hand	163,634	139,386
Deposits with banks	49,282,348,179	44,082,495,955
Deposits with clearinghouses	5,212,732,005	3,006,847,606
Subtotal	54,495,243,818	47,089,482,947
Less: Restricted bank deposits	(564,862,245)	(427,049,392)
Total	53,930,381,573	46,662,433,555

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	4,198,278,064	29,577,447,553	33,775,725,617
Debt securities	890,384,661	1,749,562,291	2,639,946,952
Funds and others	651,268,464	–	651,268,464
<b>Total</b>	<b>5,739,931,189</b>	<b>31,327,009,844</b>	<b>37,066,941,033</b>

	As at 31 December 2020		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	5,904,122,584	33,251,717,178	39,155,839,762
Debt securities	1,066,167,906	1,542,983,452	2,609,151,358
Funds and others	1,126,558,207	–	1,126,558,207
<b>Total</b>	<b>8,096,848,697</b>	<b>34,794,700,630</b>	<b>42,891,549,327</b>

As at 30 June 2021 and 31 December 2020, there were no significant fair value changes related to the changes in the credit risk of financial liabilities designated as at fair value through profit or loss of the Group.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 36. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2021	As at 31 December 2020
Client deposits for brokerage trading	77,143,094,494	62,030,728,369
Client deposits for margin financing and securities lending	8,899,123,896	8,612,779,838
Subtotal	86,042,218,390	70,643,508,207
Accrued interests	12,259,821	11,672,249
Total	86,054,478,211	70,655,180,456

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearinghouses. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under ordinary course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

## 37. PLACEMENTS FROM FINANCIAL INSTITUTIONS

### (a) Analysed by funding source:

	As at 30 June 2021	As at 31 December 2020
Placements from banks	22,986,773,545	33,796,181,995
Placements from China Securities Finance Corporation Limited	500,000,000	200,000,000
Placements from non-bank financial institution	–	300,000,000
Subtotal	23,486,773,545	34,296,181,995
Accrued interests	201,321,108	220,232,700
Total	23,688,094,653	34,516,414,695

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 37. PLACEMENTS FROM FINANCIAL INSTITUTIONS (continued)

### (b) Analysed by residual maturity:

	As at 30 June 2021		As at 31 December 2020	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	9,085,384,724	0.12% – 7.35%	18,964,291,414	0.99% – 3.50%
1 – 3 months (inclusive)	3,269,518,980	2.80% – 3.45%	4,248,025,919	1.08% – 2.99%
3 months – 1 year (inclusive)	11,333,190,949	1.39% – 3.49%	11,304,097,362	1.76% – 3.49%
Total	23,688,094,653		34,516,414,695	

## 38. SHORT-TERM DEBT SECURITIES ISSUED

	Notes	As at 30 June 2021	As at 31 December 2020
Beneficiary certificates	(a)	16,517,556,409	19,683,669,800
Structured notes	(b)	3,606,000,741	5,884,269,327
MTNs	(c)	795,304,522	803,260,708
Subtotal		20,918,861,672	26,371,199,835
Accrued interests:			
Beneficiary certificates		116,289,853	92,036,857
Structured notes		11,759,316	27,082,943
MTNs		2,616,761	2,250,830
Total		21,049,527,602	26,492,570,465

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 38. SHORT-TERM DEBT SECURITIES ISSUED (continued)

### (a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued (Note)	Book value as at 30 June 2021
0.00% - 11.02%	19,775,706,657	23,247,087,747	26,475,736	(26,213,201,138)	(202,222,740)	16,633,846,262

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued (Note)	Book value as at 31 December 2020
0.00% - 11.02%	14,590,818,072	61,155,882,718	8,707,077	(55,625,339,603)	(354,361,607)	19,775,706,657

Note: A balance of RMB202 million (31 December 2020: RMB354 million) was reclassified to long-term debt securities issued as extension rights were exercised by the holders of these beneficiary certificates.

The Group has issued beneficiary certificates bearing nominal interest at:

- fixed rates, ranging from 1.50% to 7.90% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on stock indices such as Shanghai & Shenzhen 300 Index and China Securities Index (CSI) 500, individual stocks, prices of commodity products or USD index. The yield rate of such income certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 38. SHORT-TERM DEBT SECURITIES ISSUED (continued)

### (b) Structured notes:

Name	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
Structured notes (i)	5,911,352,270	1,598,726,701	(15,323,627)	(3,831,407,461)	(45,587,826)	3,617,760,057

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
Structured notes (i)	6,649,516,797	10,529,132,195	(40,654,932)	(10,773,425,640)	(453,216,150)	5,911,352,270

- (i) The notes were issued bearing nominal interest rates ranging from 0.00% to 3.80% per annum. The notes are for maturities of 21 days to 365 days.

### (c) MTNs:

Name	Interest commencement date	Maturity date	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
MTN	28/09/2020	27/09/2021	USD123.2 million	1.05%	805,511,538	-	365,931	-	(7,956,186)	797,921,283

Name	Interest commencement date	Maturity date	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN	28/09/2020	27/09/2021	USD123.2 million	1.05%	-	840,864,640	2,250,830	-	(37,603,932)	805,511,538



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (“REPOs”)

### (a) Analysed by collateral type:

	As at 30 June 2021	As at 31 December 2020
Debt securities	29,279,728,584	20,905,356,393
Others	4,697,271,453	4,165,056,959
Subtotal	33,977,000,037	25,070,413,352
Accrued interests	7,265,418	30,670,471
Total	33,984,265,455	25,101,083,823

### (b) Analysed by market:

	As at 30 June 2021	As at 31 December 2020
Inter-bank market	25,009,181,683	14,593,790,179
Stock exchanges	2,830,939,143	3,902,244,482
Over-the-counter market	6,144,144,629	6,605,049,162
Total	33,984,265,455	25,101,083,823

As at 30 June 2021, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB34,240,603,362 (31 December 2020: RMB25,245,903,799).

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED

	Notes	As at 30 June 2021	As at 31 December 2020
Due within one year			
– Corporate bonds	(a)	8,808,385,059	9,830,163,597
– Subordinated bonds	(b)	11,919,189,440	5,008,689,660
– MTNs	(c)	9,035,246,517	6,520,769,369
– Beneficiary certificates	(e)	241,009,800	1,741,009,800
Subtotal		30,003,830,816	23,100,632,426
Due after one year			
– Corporate bonds	(a)	91,497,936,282	63,530,023,736
– Subordinated bonds	(b)	19,617,564,005	19,530,109,664
– MTNs	(c)	19,331,775,203	16,269,771,958
– Financial bonds	(d)	2,500,000,000	2,500,000,000
– Beneficiary certificates	(e)	–	1,500,000,000
Subtotal		132,947,275,490	103,329,905,358
Accrued interests:			
– Corporate bonds		1,743,120,592	1,045,156,424
– Subordinated bonds		485,214,722	363,649,805
– MTNs		124,816,094	63,919,194
– Financial bonds		72,908,219	30,881,507
– Beneficiary certificates		1,527,840	66,816,138
Subtotal		2,427,587,467	1,570,423,068
Total		165,378,693,773	128,000,960,852
Fair value		166,662,079,720	127,825,070,661

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
16 CICC 01	18/07/2016	18/07/2021	Annually	3,000,000,000	3.58%	2,923,108,092	-	51,057,272	-	-	2,974,165,364
16 CICC 02 (i)	18/07/2016	18/07/2023	Annually	1,000,000,000	3.29%	1,015,052,877	-	16,314,795	-	-	1,031,367,672
16 CICC 04 (ii)	27/10/2016	27/10/2023	Annually	900,000,000	3.13%	905,093,753	-	13,969,233	-	-	919,062,986
17 CICC 03	08/05/2017	08/05/2022	Annually	1,000,000,000	5.19%	1,039,819,840	-	(26,785,549)	-	(16,611,006)	996,423,285
18 CICC 02 (ix)	26/01/2018	26/01/2021	Annually	1,000,000,000	5.70%	1,053,487,398	-	(37,421,339)	(1,000,000,000)	(16,066,059)	-
18 CICC 04 (xi)	24/04/2018	24/04/2021	Annually	1,000,000,000	4.94%	1,034,778,011	-	(21,214,545)	(1,000,000,000)	(13,563,466)	-
18 CICC 06 (xiii)	28/06/2018	28/06/2021	Annually	1,000,000,000	5.30%	1,026,731,144	-	(18,438,801)	(1,000,000,000)	(8,292,343)	-
19 CICC 04 (xiv)	21/11/2019	21/11/2025	Annually	1,500,000,000	3.52%	1,505,930,959	-	26,183,014	-	-	1,532,113,973
20 CICC F1 (xv)	26/02/2020	26/02/2025	Annually	4,000,000,000	3.20%	4,108,361,644	-	(64,526,027)	-	-	4,043,835,617
20 CICC G1 (xvi)	03/04/2020	03/04/2026	Annually	1,500,000,000	2.89%	1,532,304,658	-	(21,853,151)	-	-	1,510,451,507
20 CICC G2 (xvii)	03/04/2020	03/04/2027	Annually	1,000,000,000	3.25%	1,024,219,178	-	(16,383,562)	-	-	1,007,835,616
20 CICC G3 (xviii)	06/05/2020	06/05/2026	Annually	3,300,000,000	2.37%	3,351,211,479	-	(39,426,411)	-	-	3,311,785,068
20 CICC G4 (xix)	06/05/2020	06/05/2027	Annually	700,000,000	2.88%	713,200,658	-	(10,162,849)	-	-	703,037,809
20 CICC F2 (xx)	28/05/2020	28/05/2025	Annually	3,000,000,000	2.95%	3,052,615,069	-	(44,613,699)	-	-	3,008,001,370
20 CICC G5 (xxi)	22/06/2020	22/06/2026	Annually	1,500,000,000	3.10%	1,524,460,274	-	(23,441,096)	-	-	1,501,019,178
20 CICC F3 (xxii)	24/07/2020	24/07/2025	Annually	3,000,000,000	3.80%	3,049,972,603	-	56,531,507	-	-	3,106,504,110
20 CICC 07 (xxiii)	10/09/2020	10/09/2025	Annually	5,000,000,000	3.78%	5,057,476,712	-	93,723,288	-	-	5,151,200,000
20 CICC 09 (xxiv)	23/09/2020	23/09/2025	Annually	5,000,000,000	3.80%	5,051,013,699	-	94,219,178	-	-	5,145,232,877
20 CICC 11 (xxv)	19/10/2020	19/10/2023	Annually	2,500,000,000	3.50%	2,517,500,000	-	43,390,411	-	-	2,560,890,411
20 CICC 12 (xxvi)	19/10/2020	19/10/2025	Annually	2,500,000,000	3.74%	2,518,700,000	-	46,365,753	-	-	2,565,065,753
20 CICC 13 (xxvii)	28/10/2020	28/10/2023	Annually	2,000,000,000	3.48%	2,012,203,836	-	34,513,973	-	-	2,046,717,809
20 CICC 14 (xxviii)	28/10/2020	28/10/2025	Annually	3,000,000,000	3.68%	3,019,357,808	-	54,746,301	-	-	3,074,104,109
20 CICC F4 (xxix)	14/12/2020	14/12/2023	Annually	2,500,000,000	3.85%	2,504,482,877	-	47,729,452	-	-	2,552,212,329
20 CICC F5 (xxx)	14/12/2020	14/12/2025	Annually	2,500,000,000	4.09%	2,504,762,329	-	50,704,795	-	-	2,555,467,124
21 CICC F1 (xxxiv)	18/01/2021	18/01/2024	Annually	2,500,000,000	3.55%	-	2,500,000,000	39,633,562	-	-	2,539,633,562
21 CICC F2 (xxxv)	18/01/2021	18/01/2026	Annually	2,500,000,000	3.75%	-	2,500,000,000	41,866,438	-	-	2,541,866,438
21 CICC F3 (xxxvi)	04/03/2021	04/03/2024	Annually	1,500,000,000	3.60%	-	1,500,000,000	17,457,534	-	-	1,517,457,534
21 CICC F4 (xxxvii)	04/03/2021	04/03/2026	Annually	2,000,000,000	3.82%	-	2,000,000,000	24,699,178	-	-	2,024,699,178
21 CICC G1 (xxxviii)	16/03/2021	16/03/2026	Annually	2,000,000,000	3.58%	-	2,000,000,000	20,793,425	-	-	2,020,793,425

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
21 CICC G2	16/03/2021	16/03/2031	Annually	2,000,000,000	4.10%	-	2,000,000,000	23,813,699	-	-	2,023,813,699
21 CICC G3 (xxxix)	25/03/2021	25/03/2026	Annually	1,500,000,000	3.51%	-	1,500,000,000	13,991,918	-	-	1,513,991,918
21 CICC G4	25/03/2021	25/03/2031	Annually	2,500,000,000	4.07%	-	2,500,000,000	27,040,411	-	-	2,527,040,411
21 CICC F5 (xi)	13/04/2021	13/04/2024	Annually	1,000,000,000	3.43%	-	1,000,000,000	7,329,863	-	-	1,007,329,863
21 CICC F6 (xii)	13/04/2021	13/04/2026	Annually	3,500,000,000	3.70%	-	3,500,000,000	27,319,178	-	-	3,527,319,178
17 CISC F2	18/07/2017	18/07/2022	Annually	1,000,000,000	5.10%	1,023,334,247	-	25,290,411	-	-	1,048,624,658
18 CISC 01 (xxxii)	23/03/2018	23/03/2021	Annually	1,000,000,000	5.95%	1,046,280,749	-	(46,345,866)	(1,000,000,000)	65,117	-
18 CISC 03	21/09/2018	21/09/2021	Annually	1,000,000,000	4.99%	1,013,896,731	-	24,744,932	-	32,797	1,038,674,460
19 CISC 01	22/04/2019	22/04/2022	Annually	2,000,000,000	4.22%	2,058,563,227	-	(42,550,830)	-	67,495	2,016,079,892
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3,000,000,000	3.58%	3,020,477,755	-	53,258,630	-	258,574	3,073,994,959
20 CICC WMS G1	16/01/2020	16/01/2025	Annually	2,000,000,000	3.44%	2,065,594,368	-	(34,696,955)	-	49,733	2,030,947,146
20 CICC WMS F1	09/04/2020	09/04/2025	Annually	3,000,000,000	3.17%	3,069,566,301	-	(47,945,308)	-	4,486	3,021,625,479
20 CICC WMS F2	28/07/2020	28/07/2023	Annually	2,000,000,000	3.80%	2,032,690,411	-	37,687,671	-	-	2,070,378,082
20 CICC WMS G2	21/10/2020	21/10/2025	Annually	2,000,000,000	3.77%	2,014,873,425	-	37,390,137	-	-	2,052,263,562
20 CICC WMS G3	21/10/2020	21/10/2025	Annually	1,000,000,000	4.20%	1,008,284,932	-	20,827,397	-	-	1,029,112,329
20 CICC WMS G5	24/11/2020	24/11/2025	Annually	1,000,000,000	3.98%	1,004,143,562	-	19,736,438	-	-	1,023,880,000
20 CICC WMS G6	15/12/2020	15/12/2025	Annually	1,000,000,000	3.85%	1,001,793,151	-	19,091,781	-	-	1,020,884,932
21 CICC WMS G1	26/03/2021	26/03/2024	Annually	2,000,000,000	3.44%	-	2,000,000,000	18,246,100	-	37,736	2,018,283,836
21 CICC WMS G2	26/03/2021	26/03/2026	Annually	3,000,000,000	3.65%	-	3,000,000,000	29,043,396	-	56,604	3,029,100,000
21 CICC WMS G3	22/04/2021	22/04/2026	Annually	3,000,000,000	3.55%	-	3,000,000,000	20,368,054	-	56,604	3,020,424,658
21 CICC WMS G4	22/04/2021	22/04/2026	Annually	2,000,000,000	3.84%	-	2,000,000,000	14,691,031	-	37,736	2,014,728,767
Total						74,405,343,757	31,000,000,000	697,964,168	(4,000,000,000)	(53,865,992)	102,049,441,933

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CICC 01	18/07/2016	18/07/2021	Annually	3,000,000,000	3.58%	2,922,826,008	-	282,084	-	-	2,923,108,092
16 CICC 02 (i)	18/07/2016	18/07/2023	Annually	1,000,000,000	3.29%	1,015,052,877	-	-	-	-	1,015,052,877
16 CICC 04 (ii)	27/10/2016	27/10/2023	Annually	900,000,000	3.13%	905,093,753	-	-	-	-	905,093,753
17 CICC 01 (iii)	20/01/2017	20/01/2020	Annually	4,000,000,000	4.35%	4,165,686,653	-	(136,365,664)	(4,000,000,000)	(29,320,989)	-
17 CICC 02 (iv)	08/05/2017	08/05/2020	Annually	1,000,000,000	4.97%	1,032,496,932	-	(19,782,570)	(1,000,000,000)	(12,714,362)	-
17 CICC 03	08/05/2017	08/05/2022	Annually	1,000,000,000	5.19%	1,055,402,156	-	(8,917,013)	-	(6,665,303)	1,039,819,840
17 CICC 04 (v)	27/07/2017	27/07/2020	Annually	2,000,000,000	4.78%	2,042,623,536	-	(24,900,930)	(2,000,000,000)	(17,722,606)	-
17 CICC 05 (vi)	20/10/2017	20/10/2020	Annually	2,000,000,000	5.13%	2,019,150,296	-	1,577,033	(2,000,000,000)	(20,727,329)	-
17 CICC 06 (vii)	21/11/2017	21/11/2020	Annually	2,500,000,000	5.45%	2,512,752,752	-	17,466,810	(2,500,000,000)	(30,219,562)	-
18 CICC 01 (viii)	26/01/2018	26/01/2020	Annually	1,000,000,000	5.58%	1,052,245,432	-	(40,513,328)	(1,000,000,000)	(11,732,104)	-
18 CICC 02 (ix)	26/01/2018	26/01/2021	Annually	1,000,000,000	5.70%	1,062,144,259	-	(2,461,455)	-	(6,195,406)	1,053,487,398
18 CICC 03 (x)	24/04/2018	24/04/2020	Annually	500,000,000	4.80%	517,057,151	-	(13,576,425)	(500,000,000)	(3,480,726)	-
18 CICC 04 (xi)	24/04/2018	24/04/2021	Annually	1,000,000,000	4.94%	1,041,603,234	-	(4,470,094)	-	(2,355,129)	1,034,778,011
18 CICC 05 (xii)	28/06/2018	28/06/2020	Annually	1,000,000,000	5.20%	1,027,609,961	-	(23,003,639)	(1,000,000,000)	(4,606,322)	-
18 CICC 06 (xiii)	28/06/2018	28/06/2021	Annually	1,000,000,000	5.30%	1,032,202,027	-	(4,007,022)	-	(1,463,861)	1,026,731,144
19 CICC 04 (xiv)	21/11/2019	21/11/2025	Annually	1,500,000,000	3.52%	1,505,786,301	-	144,658	-	-	1,505,930,959
20 CICC F1 (xv)	26/02/2020	26/02/2025	Annually	4,000,000,000	3.20%	-	4,000,000,000	108,361,644	-	-	4,108,361,644
20 CICC G1 (xvi)	03/04/2020	03/04/2026	Annually	1,500,000,000	2.89%	-	1,500,000,000	32,304,658	-	-	1,532,304,658
20 CICC G2 (xvii)	03/04/2020	03/04/2027	Annually	1,000,000,000	3.25%	-	1,000,000,000	24,219,178	-	-	1,024,219,178
20 CICC G3 (xviii)	06/05/2020	06/05/2026	Annually	3,300,000,000	2.37%	-	3,300,000,000	51,211,479	-	-	3,351,211,479
20 CICC G4 (xix)	06/05/2020	06/05/2027	Annually	700,000,000	2.88%	-	700,000,000	13,200,658	-	-	713,200,658
20 CICC F2 (xx)	28/05/2020	28/05/2025	Annually	3,000,000,000	2.95%	-	3,000,000,000	52,615,069	-	-	3,052,615,069
20 CICC G5 (xxi)	22/06/2020	22/06/2026	Annually	1,500,000,000	3.10%	-	1,500,000,000	24,460,274	-	-	1,524,460,274
20 CICC F3 (xxii)	24/07/2020	24/07/2025	Annually	3,000,000,000	3.80%	-	3,000,000,000	49,972,603	-	-	3,049,972,603
20 CICC 07 (xxiii)	10/09/2020	10/09/2025	Annually	5,000,000,000	3.78%	-	5,000,000,000	57,476,712	-	-	5,057,476,712
20 CICC 09 (xxiv)	23/09/2020	23/09/2025	Annually	5,000,000,000	3.80%	-	5,000,000,000	51,013,699	-	-	5,051,013,699
20 CICC 11 (xxv)	19/10/2020	19/10/2023	Annually	2,500,000,000	3.50%	-	2,500,000,000	17,500,000	-	-	2,517,500,000
20 CICC 12 (xxvi)	19/10/2020	19/10/2025	Annually	2,500,000,000	3.74%	-	2,500,000,000	18,700,000	-	-	2,518,700,000
20 CICC 13 (xxvii)	28/10/2020	28/10/2023	Annually	2,000,000,000	3.48%	-	2,000,000,000	12,203,836	-	-	2,012,203,836
20 CICC 14 (xxviii)	28/10/2020	28/10/2025	Annually	3,000,000,000	3.68%	-	3,000,000,000	19,357,808	-	-	3,019,357,808
20 CICC F4 (xxix)	14/12/2020	14/12/2023	Annually	2,500,000,000	3.85%	-	2,500,000,000	4,482,877	-	-	2,504,482,877
20 CICC F5 (xxx)	14/12/2020	14/12/2025	Annually	2,500,000,000	4.09%	-	2,500,000,000	4,762,329	-	-	2,504,762,329

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
17 CISC F1 (xxxii)	18/07/2017	18/07/2020	Annually	3,000,000,000	4.95%	3,067,758,196	-	(67,758,196)	(3,000,000,000)	-	-
17 CISC F2	18/07/2017	18/07/2022	Annually	1,000,000,000	5.10%	1,023,270,492	-	63,755	-	-	1,023,334,247
18 CISC 01 (xxxii)	23/03/2018	23/03/2021	Annually	1,000,000,000	5.95%	1,046,088,333	-	126,492	-	65,924	1,046,280,749
18 CISC 02 (xxxiii)	03/09/2018	03/09/2020	Annually	2,000,000,000	4.72%	2,032,396,587	-	(40,027,001)	(2,000,000,000)	7,630,414	-
18 CISC 03	21/09/2018	21/09/2021	Annually	1,000,000,000	4.99%	1,013,794,862	-	38,100	-	63,769	1,013,896,731
19 CISC 01	22/04/2019	22/04/2022	Annually	2,000,000,000	4.22%	2,058,278,417	-	160,473	-	124,337	2,058,563,227
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3,000,000,000	3.58%	3,022,595,081	-	(2,768,284)	-	650,958	3,020,477,755
20 CICC WMS G1	16/01/2020	16/01/2025	Annually	2,000,000,000	3.44%	-	2,000,000,000	65,508,630	-	85,738	2,065,594,368
20 CICC WMS F1	09/04/2020	09/04/2025	Annually	3,000,000,000	3.17%	-	3,000,000,000	69,566,301	-	-	3,069,566,301
20 CICC WMS F2	28/07/2020	28/07/2023	Annually	2,000,000,000	3.80%	-	2,000,000,000	32,690,411	-	-	2,032,690,411
20 CICC WMS G2	21/10/2020	21/10/2025	Annually	2,000,000,000	3.77%	-	2,000,000,000	14,873,425	-	-	2,014,873,425
20 CICC WMS G3	21/10/2020	21/10/2025	Annually	1,000,000,000	4.20%	-	1,000,000,000	8,284,932	-	-	1,008,284,932
20 CICC WMS G5	24/11/2020	24/11/2025	Annually	1,000,000,000	3.98%	-	1,000,000,000	4,143,562	-	-	1,004,143,562
20 CICC WMS G6	15/12/2020	15/12/2025	Annually	1,000,000,000	3.85%	-	1,000,000,000	1,793,151	-	-	1,001,793,151
Total						38,173,915,296	55,000,000,000	370,011,020	(19,000,000,000)	(138,582,559)	74,405,343,757

- (i) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (ii) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (iii) The Company redeemed the bonds on 20 January 2020.
- (iv) The Company redeemed the bonds on 8 May 2020.
- (v) The Company redeemed the bonds on 27 July 2020.
- (vi) The Company redeemed the bonds on 20 October 2020.
- (vii) The Company redeemed the bonds on 23 November 2020.
- (viii) The Company redeemed the bonds on 3 February 2020.
- (ix) The Company redeemed the bonds on 26 January 2021.
- (x) The Company redeemed the bonds on 24 April 2020.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds: (continued)

- (xi) The Company redeemed the bonds on 24 April 2021.
- (xii) The Company redeemed the bonds on 29 June 2020.
- (xiii) The Company redeemed the bonds on 28 June 2021.
- (xiv) The Company has an option to adjust the nominal interest rate on 21 November 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xv) The Company has an option to adjust the nominal interest rate on 26 February 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xvi) The Company has an option to adjust the nominal interest rate on 3 April 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xvii) The Company has an option to adjust the nominal interest rate on 3 April 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xviii) The Company has an option to adjust the nominal interest rate on 6 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xix) The Company has an option to adjust the nominal interest rate on 6 May 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xx) The Company has an option to adjust the nominal interest rate on 28 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxi) The Company has an option to adjust the nominal interest rate on 22 June 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxii) The Company has an option to adjust the nominal interest rate on 24 July 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxiii) The Company has an option to adjust the nominal interest rate on 10 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxiv) The Company has an option to adjust the nominal interest rate on 23 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxv) The Company has an option to adjust the nominal interest rate on 19 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxvi) The Company has an option to adjust the nominal interest rate on 19 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxvii) The Company has an option to adjust the nominal interest rate on 28 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (a) Corporate bonds: (continued)

- (xxviii) The Company has an option to adjust the nominal interest rate on 28 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxix) The Company has an option to adjust the nominal interest rate on 14 December 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxx) The Company has an option to adjust the nominal interest rate on 14 December 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxi) CICC Wealth Management redeemed the bonds on 20 July 2020.
- (xxxii) CICC Wealth Management redeemed the bonds on 23 March 2021.
- (xxxiii) CICC Wealth Management redeemed the bonds on 3 September 2020.
- (xxxiv) The Company has an option to adjust the nominal interest rate on 18 January 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxv) The Company has an option to adjust the nominal interest rate on 18 January 2024 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxvi) The Company has an option to adjust the nominal interest rate on 4 March 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxvii) The Company has an option to adjust the nominal interest rate on 4 March 2024 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxviii) The Company has an option to adjust the nominal interest rate on 16 March 2024 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxix) The Company has an option to adjust the nominal interest rate on 25 March 2024 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xl) The Company has an option to adjust the nominal interest rate on 13 April 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xli) The Company has an option to adjust the nominal interest rate on 13 April 2024 and an obligation to redeem the bonds when requested by the investors accordingly.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
16 CICC C2	15/12/2016	15/12/2021	Annually	3,400,000,000	4.60%	3,406,855,890	-	77,557,260	-	-	3,484,413,150
					1st - 5th year, 5.00%; 6th - 8th year,						
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	100,000,000	8.00%	100,219,178	-	2,479,452	-	-	102,698,630
17 CICC C1	22/05/2017	22/05/2022	Annually	600,000,000	5.39%	624,072,690	-	(17,014,352)	-	(8,600,473)	598,457,865
17 CICC C2	24/07/2017	24/07/2022	Annually	1,500,000,000	4.98%	1,541,393,843	-	34,398,985	-	2,644,275	1,578,437,103
17 CICC C3	16/11/2017	16/11/2022	Annually	1,500,000,000	5.50%	1,514,165,601	-	40,011,917	-	3,236,190	1,557,413,708
18 CICC C1	20/04/2018	20/04/2023	Annually	1,000,000,000	5.30%	1,051,682,141	-	(28,665,520)	-	(10,443,747)	1,012,572,874
18 CICC C2	29/08/2018	29/08/2021	Annually	1,500,000,000	4.70%	1,522,573,405	-	35,462,819	-	1,499,239	1,559,535,463
19 CICC C1	19/04/2019	19/04/2022	Annually	1,500,000,000	4.20%	1,544,358,904	-	(31,758,904)	-	-	1,512,600,000
19 CICC C3	14/10/2019	14/10/2024	Annually	1,500,000,000	4.09%	1,513,110,411	-	30,422,877	-	-	1,543,533,288
19 CICC C4	11/11/2019	11/11/2024	Annually	1,500,000,000	4.12%	1,508,465,753	-	30,646,027	-	-	1,539,111,780
19 CICC C5	05/12/2019	05/12/2024	Annually	2,000,000,000	4.20%	2,005,983,562	-	41,654,795	-	-	2,047,638,357
20 CICC C1	17/02/2020	17/02/2025	Annually	1,500,000,000	3.85%	1,550,155,479	-	(29,112,329)	-	-	1,521,043,150
21 CICC C1	08/02/2021	08/02/2024	Annually	1,000,000,000	3.90%	-	1,000,000,000	15,097,784	-	3,429,655	1,018,527,439
21 CICC C2	08/02/2021	08/02/2026	Annually	1,000,000,000	4.49%	-	1,000,000,000	17,378,213	-	4,979,543	1,022,357,756
17 CISC 02	23/02/2017	23/02/2022	Annually	1,800,000,000	5.00%	1,876,112,521	-	(45,409,815)	-	368,132	1,831,070,838
19 CISC C1	25/04/2019	25/04/2022	Annually	3,000,000,000	4.50%	3,091,333,871	-	(68,061,162)	-	537,639	3,023,810,348
20 CICC WMS C1	17/04/2020	17/04/2025	Annually	2,000,000,000	3.80%	2,051,965,880	-	(38,315,914)	-	209,328	2,013,859,294
21 CICC WMS C1	09/03/2021	09/03/2024	Annually	1,000,000,000	3.98%	-	1,000,000,000	12,411,817	-	18,868	1,012,430,685
21 CICC WMS C2	09/03/2021	09/03/2026	Annually	1,000,000,000	4.58%	-	1,000,000,000	14,285,790	-	18,868	1,014,304,658
21 CICC WMS C3	09/04/2021	09/04/2024	Annually	2,000,000,000	3.94%	-	2,000,000,000	17,881,168	-	37,736	2,017,918,904
21 CICC WMS C4	09/04/2021	09/04/2026	Annually	1,000,000,000	4.50%	-	1,000,000,000	10,214,009	-	18,868	1,010,232,877
Total						24,902,449,129	7,000,000,000	121,564,917	-	(2,045,879)	32,021,968,167

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (b) Subordinated bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CICC C2	15/12/2016	15/12/2021	Annually	3,400,000,000	4.60%	3,406,855,890	-	-	-	-	3,406,855,890
					1st - 5th year, 5.00%; 6th - 8th						
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	100,000,000	year, 8.00%	100,219,178	-	-	-	-	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	600,000,000	5.39%	632,674,900	-	(5,395,148)	-	(3,207,062)	624,072,690
17 CICC C2	24/07/2017	24/07/2022	Annually	1,500,000,000	4.98%	1,559,390,549	-	(12,806,812)	-	(5,189,894)	1,541,393,843
17 CICC C3	16/11/2017	16/11/2022	Annually	1,500,000,000	5.50%	1,540,393,113	-	(16,046,016)	-	(10,181,496)	1,514,165,601
18 CICC C1	20/04/2018	20/04/2023	Annually	1,000,000,000	5.30%	1,058,803,374	-	(8,452,147)	-	1,330,914	1,051,682,141
18 CICC C2	29/08/2018	29/08/2021	Annually	1,500,000,000	4.70%	1,529,206,314	-	(6,194,938)	-	(437,971)	1,522,573,405
19 CICC C1	19/04/2019	19/04/2022	Annually	1,500,000,000	4.20%	1,544,186,301	-	172,603	-	-	1,544,358,904
19 CICC C3	14/10/2019	14/10/2024	Annually	1,500,000,000	4.09%	1,512,942,329	-	168,082	-	-	1,513,110,411
19 CICC C4	11/11/2019	11/11/2024	Annually	1,500,000,000	4.12%	1,508,296,438	-	169,315	-	-	1,508,465,753
19 CICC C5	05/12/2019	05/12/2024	Annually	2,000,000,000	4.20%	2,005,753,425	-	230,137	-	-	2,005,983,562
20 CICC C1	17/02/2020	17/02/2025	Annually	1,500,000,000	3.85%	-	1,500,000,000	50,155,479	-	-	1,550,155,479
17 CISC 01 (ii)	23/02/2017	23/02/2020	Annually	1,000,000,000	4.85%	1,041,359,653	-	(41,457,534)	(1,000,000,000)	97,881	-
17 CISC 02	23/02/2017	23/02/2022	Annually	1,800,000,000	5.00%	1,875,369,227	-	35,706	-	707,588	1,876,112,521
19 CISC C1	25/04/2019	25/04/2022	Annually	3,000,000,000	4.50%	3,092,581,966	-	(3,142,577)	-	1,894,482	3,091,333,871
20 CICC WMS C1	17/04/2020	17/04/2025	Annually	2,000,000,000	3.80%	-	2,000,000,000	51,664,618	-	301,262	2,051,965,880
Total						22,408,032,657	3,500,000,000	9,100,768	(1,000,000,000)	(14,684,296)	24,902,449,129

(i) CICC Futures Co., Ltd. has an option to redeem the bonds on 16 December 2021.

(ii) CICC Wealth Management redeemed the bonds on 24 February 2020.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (c) MTNs:

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
MTN	25/04/2018	25/04/2021	Quarterly	USD600 million	3M LIBOR plus 1.2%	3,923,367,904	-	(10,263,951)	(3,894,780,000)	(18,323,953)	-
MTN	11/09/2018	11/09/2021	Quarterly	USD400 million	3M LIBOR plus 1.2%	2,609,690,057	-	(263,282)	-	(24,247,852)	2,585,178,923
MTN	03/05/2019	03/05/2022	Quarterly	USD700 million	3M LIBOR plus 1.2%	4,569,141,336	-	(279,913)	-	(42,307,502)	4,526,553,921
MTN	03/05/2019	03/05/2022	Semi-annually	USD300 million	3.38%	1,963,183,847	-	(103,883)	-	(17,641,591)	1,945,438,373
MTN	18/02/2020	18/02/2023	Quarterly	USD1,000 million	3M LIBOR plus 0.9%	6,519,649,063	-	(539,530)	-	(60,919,291)	6,458,190,242
MTN	10/08/2020	10/08/2023	Semi-annually	USD500 million	1.75%	3,269,428,314	-	(1,164,173)	-	(29,698,483)	3,238,565,658
MTN	26/01/2021	26/01/2024	Semi-annually	USD1,000 million	1.63%	-	6,484,700,000	45,517,865	-	(40,994,025)	6,489,223,840
MTN	26/01/2021	26/01/2026	Semi-annually	USD500 million	2.00%	-	3,242,350,000	27,993,767	-	(21,656,910)	3,248,686,857
Total						22,854,460,521	9,727,050,000	60,896,900	(3,894,780,000)	(255,789,607)	28,491,837,814

Name	Interest commencement date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN	25/04/2018	25/04/2021	Quarterly	USD600 million	3M LIBOR plus 1.2%	4,203,319,129	-	(14,183,383)	-	(265,767,842)	3,923,367,904
MTN	11/09/2018	11/09/2021	Quarterly	USD400 million	3M LIBOR plus 1.2%	2,789,214,903	-	(2,765,171)	-	(176,759,675)	2,609,690,057
MTN	03/05/2019	03/05/2022	Quarterly	USD700 million	3M LIBOR plus 1.2%	4,892,001,713	-	(13,741,110)	-	(309,119,267)	4,569,141,336
MTN	03/05/2019	03/05/2022	Semi-annually	USD300 million	3.38%	2,095,186,685	-	(723,490)	-	(131,279,348)	1,963,183,847
MTN	18/02/2020	18/02/2023	Quarterly	USD1,000 million	3M LIBOR plus 0.9%	-	6,982,600,000	8,722,089	-	(471,673,026)	6,519,649,063
MTN	10/08/2020	10/08/2023	Semi-annually	USD500 million	1.75%	-	3,482,450,000	22,361,375	-	(235,383,061)	3,269,428,314
Total						13,979,722,430	10,465,050,000	(329,690)	-	(1,589,982,219)	22,854,460,521

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (d) Financial bonds:

Name	Interest commence- ment date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2021
19 CICC Financial											
Bond 01	22/08/2019	22/08/2022	Annually	2,500,000,000	3.39%	2,530,881,507	-	42,026,712	-	-	2,572,908,219

Name	Interest commence- ment date	Maturity date	Interest payment	Principal	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
19 CICC Financial											
Bond 01	22/08/2019	22/08/2022	Annually	2,500,000,000	3.39%	2,530,649,315	-	232,192	-	-	2,530,881,507

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 40. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (e) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2021	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 30 June 2021
3.05% – 10.50%	3,307,825,938	–	(67,511,038)	202,222,740	(3,200,000,000)	242,537,640

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 31 December 2020
2.40% – 10.50%	2,299,034,692	2,240,000,000	13,429,639	354,361,607	(1,599,000,000)	3,307,825,938

The Group has issued beneficiary certificates bearing nominal interest at:

- fixed rates, ranging from 2.40% to 4.65% per annum; or
- a fixed rate plus a floating rate.

The floating interest rate is calculated based on the index market. The yield rate of such beneficiary certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

An investor put or issuer call is applicable for certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 41. CONTRACT LIABILITIES

	As at 30 June 2021	As at 31 December 2020
Asset management services	194,953,228	79,043,664
Investment banking services	182,011,996	86,228,079
Others	6,184,613	5,656,537
<b>Total</b>	<b>383,149,837</b>	<b>170,928,280</b>

Contract liabilities mainly included advanced receipts from clients for assets management services and investment banking services. The corresponding revenue for these services would be recognised when the Group fulfilled its obligations. The Group anticipated to meet most of the obligations within the next 12 months.

## 42. OTHER CURRENT LIABILITIES

	As at 30 June 2021	As at 31 December 2020
Trade payable	132,865,858,262	78,737,749,542
Payables to other investors of consolidated structured entities (Note 1)	3,626,360,352	4,487,977,574
Accrued expenses	905,415,771	787,129,102
Dividends payable to shareholders of the Company (Note 2)	834,205,181	–
Sundry tax payable	582,934,437	908,722,259
Accounts payable to underwriting clients	553,269,990	–
Dividends payable to holders of perpetual subordinated bond	386,200,000	–
Others	1,026,374,735	1,001,273,096
<b>Total</b>	<b>140,780,618,728</b>	<b>85,922,851,573</b>

Note 1: For each reporting period, the consolidation scope of structured entities varies due to the addition of structured entities to which the Group is a principal or due to the liquidation of the consolidated structured entities or changes in the Group's interests therein.

Note 2: The difference between dividends payable to shareholders of the Company and the announced payment of cash dividend in Note 43(c) is the payment of income tax on behalf of overseas shareholders.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 43. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

The Company's number of shares and nominal value are as follows:

	As at 30 June 2021	As at 31 December 2020
Ordinary shares of RMB1 each, issued and fully paid		
A shares	2,923,542,440	2,923,542,440
H shares	1,903,714,428	1,903,714,428
Total	4,827,256,868	4,827,256,868
Share capital		
A shares	2,923,542,440	2,923,542,440
H shares	1,903,714,428	1,903,714,428
Total	4,827,256,868	4,827,256,868

On 2 November 2020, the Company completed the initial public offering of 458,589,000 A shares at a price of RMB28.78 per share with par value of RMB1 and listed on the Shanghai Stock Exchange. Accordingly, the registered capital of the Company increased to RMB4,827,256,868 and the total number of shares of the Company increased to 4,827,256,868 shares, including 2,923,542,440 A shares and 1,903,714,428 H shares.

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 in issue confer identical right in respect of the Company's residual assets.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 43. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Reserves

#### (i) Capital reserve

	As at 30 June 2021	As at 31 December 2020
Share premium	39,458,384,639	39,458,384,639
Others	74,888,340	74,888,340
Total	39,533,272,979	39,533,272,979

#### (ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. According to the Accounting Standards for Business Enterprises issued by the MOF and other relevant requirements, the Company is required to appropriate 10% of its net profit, after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

The Company makes the appropriation to surplus reserve at the end of each year.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 43. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Reserves (continued)

#### (iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Cai Jin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accrual could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds under custody at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Guidelines for the Large Collective Asset Management Business of Securities Companies on implementing the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management accrued risk reserves for large collective asset management business in accordance with relevant regulations on mutual funds.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

#### (iv) Investment revaluation reserve

The investment revaluation reserve mainly represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

#### (v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

### (c) Dividends

Upon the approval of the Annual General Meeting on 18 May 2021, the Company declared the payment of cash dividend for its 2020 profit distribution. The amount of cash dividend was RMB868,906,236, tax inclusive (or RMB1.80 for every ten shares, tax inclusive).

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 44. OTHER EQUITY INSTRUMENTS

At initial recognition, the Group classifies perpetual subordinated bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual subordinated bonds issued that should be classified as equity instruments are recognised in equity at the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit distribution. When the perpetual subordinated bonds are redeemed pursuant to the contractual terms, the redemption price is charged to equity.

Key contractual terms related to the above perpetual subordinated bonds are as follows:

- The bonds bear interest at a fixed rate;
- The nominal interest rate of the first five interest-bearing years is determined by book building and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year;
- The Company has an option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer to the next interest payment date the payment for the interest for the current period as well as all the accreted interests as a result of exercising the interest payment deferral option. There is no limitation on number of times that the Company exercises the deferral option. Exercising the interest payment deferral option shall not be deemed as the issuer's failure to pay the interest in full as agreed. Mandatory interest payment events are limited to dividend distributions to ordinary shareholders and reductions of registered capital.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

- (a) On 29 May 2020, the Company exercised the issuer early-redemption option for the 2015 perpetual subordinated bonds to redeem all of the perpetual subordinated bonds that had been registered as at the redemption registration date.
- (b) The Company issued 20 CICC Y1 with an aggregate principal amount of RMB5.0 billion on 28 August 2020.
- (c) The Company issued 21 CICC Y1 with an aggregate principal amount of RMB1.5 billion on 29 January 2021 and issued 21 CICC Y2 with an aggregate principal amount of RMB2.0 billion on 26 April 2021.

## 45. COMMITMENT

### (a) Capital commitments

As at 30 June 2021 and 31 December 2020, the capital commitments contracted but not provided for in the condensed consolidated financial statements were as follows:

	As at 30 June 2021	As at 31 December 2020
Contracted, but not provided for	3,134,929,308	2,703,292,134

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 45. COMMITMENT (continued)

### (b) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 30 June 2021 was RMB1,791,806,000 for the Group (31 December 2020: RMB600,200,820).

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) The controlling shareholder of the Company – Central Huijin Investment Ltd. (“Huijin”)

As at 30 June 2021, Huijin owned 40.17% of the equity interest of the Company (31 December 2020: 40.17%) directly and indirectly.

In November 2020, the Company completed the initial public offering of 458,589,000 A shares and listed on the Shanghai Stock Exchange. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,827,256,868 (see Note 43(a)). Accordingly, the equity interest held directly by Huijin decreased to 40.11%.

Huijin does not carry out any other commercial business activities, nor does it interfere with the daily operations of the state-owned key financial enterprises it controls. The Group’s daily business transactions with Huijin and Huijin’s affiliates are conducted on normal commercial terms.

### (i) Related party transactions with Huijin and Huijin’s affiliates

	Six months ended 30 June	
	2021	2020
Brokerage commission income	25,934,732	3,250,598
Underwriting and sponsoring fees	5,061,673	22,746,131
Asset management fees	–	17,084,612
Investment advisory fees	566,038	394,472
Interest income	494,329,186	367,882,181
Net gains from financial instruments at fair value through profit or loss	75,461,591	42,026,928
Net gains from derivative financial instruments	135,163,901	1,893,406
Other losses, net	1,763,833	–
Brokerage commission expenses	28,710,198	26,629,171
Asset management expenses	16,009,508	21,027,920
Interest expenses	196,003,629	145,997,090
Other operating expenses and costs	3,408,005	393,635

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (a) The controlling shareholder of the Company – Central Huijin Investment Ltd. (“Huijin”) (continued)

#### (ii) The balances of transactions with Huijin and Huijin’s affiliates

	As at 30 June 2021	As at 31 December 2020
Accounts receivable	209,613,514	892,335,688
Financial assets at fair value through other comprehensive income	3,804,487,671	4,486,800,088
Financial assets at fair value through profit or loss	8,398,766,136	3,558,032,591
Reverse REPOs	30,000,000	–
Refundable deposits	132,018,654	40,442,798
Derivative financial assets	1,209,375,520	929,893,328
Cash and bank balances (Note)	51,338,299,761	44,011,197,862
Other non-current assets	270,611	930,481
Financial liabilities at fair value through profit or loss	65,293,612	269,373,752
Derivative financial liabilities	845,915,688	965,555,551
Accounts payable to brokerage clients	22,882,635	32,030,997
Placements from financial institutions	10,082,609,923	10,490,809,695
REPOs	8,906,624,666	4,228,739,184
Short-term debt securities issued	52,569,000	25,245,000
Long-term debt securities issued	2,271,818,887	1,536,168,603
Other current liabilities	1,294,962,402	1,298,816,638

Note: Balances of deposits at Huijin’s affiliates include self-owned cash and bank balances and cash held on behalf of clients.

### (b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives. Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2021	2020
Salaries, allowances and benefits in kind	13,520,986	17,260,530
Discretionary bonuses (Note)	–	–
Retirement scheme contributions	715,806	450,644
Total	14,236,792	17,711,174

Note: The discretionary bonuses of the Group’s management personnel for the six months ended 30 June 2021 have not yet been finalised.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (c) Related party transactions with other shareholders holding 5% or more shares of the Company

#### (i) Related party transactions with other shareholders holding 5% or more shares of the Company

	Six months ended 30 June	
	2021	2020
Asset management fees	–	12,997,783
Brokerage commission income	–	110
Interest expenses	211	40,813

#### (ii) The balances of transactions with other shareholders holding 5% or more shares of the Company

	As at 30 June 2021	As at 31 December 2020
Accounts payable to brokerage clients	47	210,514

### (d) Related party transactions with the Group's associates and joint ventures

#### (i) Related party transactions with associates and joint ventures and their affiliates

	Six months ended 30 June	
	2021	2020
Brokerage commission income	4,201,943	3,147,677
Asset management fees	3,835,014	6,237,755
Investment advisory fees	5,489,867	10,204,206
Interest income	2,181,209	4,257,782
Interest expenses	1,447	3,063

#### (ii) The balances of transactions with associates and joint ventures and their affiliates

	As at 30 June 2021	As at 31 December 2020
Accounts receivable	12,630,807	32,211,963
Other non-current assets	184,881,105	182,958,826
Accounts payable to brokerage clients	761,927	905
Contract liabilities	1,141,380	–
Other current liabilities	12,080,000	12,080,000



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or for short-term financing. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value. For financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.
- (iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using discounted cash flows or other valuation techniques with reference to the yields of financial instruments with similar characteristics such as similar credit risk and maturity. The fair values of long-term debt securities issued are disclosed in Note 40. The carrying amounts of short-term debt securities issued approximate their fair values.
- (iv) Accounts receivable and accounts payable to brokerage clients are mainly due within one year. Accordingly, the carrying amounts approximate their fair values.

### (a) *Financial assets and liabilities measured at fair value*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level I: Fair value measured using only Level I inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities) at the measurement date.
- Level II: Fair value measured using Level II inputs (i.e. observable inputs which are unqualified as Level I inputs), and no significant unobservable inputs. Unobservable inputs are the inputs for which market data are not available.
- Level III: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs to the valuation techniques used for Level II include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates. For the fair value of financial instruments categorised within Level III, the valuation techniques and significant unobservable inputs are disclosed in Note 47(a)(ii).

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

The following table presents the analysis of financial instruments measured at fair value at the end of the reporting periods on the basis of the fair value hierarchy:

	As at 30 June 2021			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	101,745,012,279	656,355,170	18,186,085,007	120,587,452,456
– Debt securities	1,865,151,468	83,373,564,374	320,811,730	85,559,527,572
– Funds and other investments	11,064,589,495	70,855,902,208	1,253,235,026	83,173,726,729
Derivative financial assets	693,383,156	13,944,210,430	–	14,637,593,586
Financial assets at fair value through other comprehensive income				
– Debt securities	–	36,235,106,892	–	36,235,106,892
<b>Total</b>	<b>115,368,136,398</b>	<b>205,065,139,074</b>	<b>19,760,131,763</b>	<b>340,193,407,235</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(4,196,406,640)	(1,871,424)	–	(4,198,278,064)
– Debt securities	–	(890,384,661)	–	(890,384,661)
– Funds and others	(651,268,464)	–	–	(651,268,464)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(29,577,447,553)	–	(29,577,447,553)
– Debt securities	–	(1,749,562,291)	–	(1,749,562,291)
Derivative financial liabilities	(249,730,927)	(19,695,735,908)	–	(19,945,466,835)
<b>Total</b>	<b>(5,097,406,031)</b>	<b>(51,915,001,837)</b>	<b>–</b>	<b>(57,012,407,868)</b>

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

	As at 31 December 2020			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
–Equity securities	92,814,231,510	538,538,406	17,567,429,786	110,920,199,702
–Debt securities	1,210,768,017	79,171,022,879	432,695,788	80,814,486,684
–Funds and other investments	11,965,827,662	43,571,807,870	333,375,727	55,871,011,259
Derivative financial assets	836,397,586	11,474,866,250	–	12,311,263,836
Financial assets at fair value through other comprehensive income				
–Debt securities	–	37,212,187,524	–	37,212,187,524
Total	106,827,224,775	171,968,422,929	18,333,501,301	297,129,149,005
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
–Equity securities	(5,889,938,351)	(14,184,233)	–	(5,904,122,584)
–Debt securities	–	(1,066,167,906)	–	(1,066,167,906)
–Funds and others	(1,126,558,207)	–	–	(1,126,558,207)
Financial liabilities designated as at fair value through profit or loss				
–Equity securities	–	(33,251,717,178)	–	(33,251,717,178)
–Debt securities	–	(1,542,983,452)	–	(1,542,983,452)
Derivative financial liabilities	(236,239,998)	(24,446,294,639)	–	(24,682,534,637)
Total	(7,252,736,556)	(60,321,347,408)	–	(67,574,083,964)

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (i) Transfer between levels

As of 30 June 2021, the Group's investment of RMB19 million (31 December 2020: RMB30 million) in suspended stocks were transferred from Level I to Level II, as the quoted prices of these stocks were no longer regularly available.

As of 30 June 2021, the Group's investments in equity securities, debt securities and others of RMB114 million (31 December 2020: RMB421 million) were transferred from Level I or II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting or credit risk in existence, etc.

As of 30 June 2021, the Group's investments in equity securities and debt securities of RMB277 million (31 December 2020: RMB35 million) were transferred from Level III to Level I or II, as the fair values of these securities were determined with the use of quoted prices instead of valuation techniques, due to events such as listing, re-listing or expiration of lock-up period, etc.

Apart from the transfers above, for the six months ended 30 June 2021 and the year ended 31 December 2020, there was no other significant transfer among Level I, Level II and Level III for the Group's financial assets and liabilities measured at fair value. In accordance with its accounting policies, the Group recognises transfers among the levels as at the end of the reporting period in which such transfers occur.

#### (ii) Information about Level III fair value measurements

The following table presents a reconciliation from the beginning balance to the ending balance of financial assets measured at Level III through profit or loss:

	Financial assets at fair value through profit or loss
As at 1 January 2021	18,333,501,301
Gains for the period	2,184,877,464
Purchases	5,802,239,711
Disposals and settlement	(6,397,530,872)
Transfer into Level III	113,944,526
Transfer out of Level III	(276,900,367)
As at 30 June 2021	19,760,131,763
Net gains for the period included in profit or loss for assets held at the end of the reporting period	2,663,018,575

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Information about Level III fair value measurements (continued)

	Financial assets at fair value through profit or loss
As at 1 January 2020	4,857,511,258
Gains for the period	1,897,406,804
Purchases	12,138,828,913
Disposals and settlement	(945,940,038)
Transfer into Level III	420,628,728
Transfer out of Level III	(34,934,364)
As at 31 December 2020	18,333,501,301
Net gains for the period included in profit or loss for assets held at the end of the reporting period	1,983,597,596

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 47. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Information about Level III fair value measurements (continued)

For financial instruments measured at Level III, fair values are determined based on the reports on capital account for these instruments obtained by management or determined by using valuation techniques such as discounted cash flow model, market comparable company analysis and recent financing price method. Key determinant to categorise fair value as Level III is the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used in the valuation of the major financial instruments measured at Level III. As of 30 June 2021 and 31 December 2020, the fair value of the financial instruments measured at Level III is not significantly sensitive to a reasonable change in these unobservable inputs.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	Level III	Discounted cash flow models	Discount rate (Note 1)	The higher the discount, the lower the fair value
Equity securities	Level III	Option pricing models	Historical volatility (Note 2)	The higher the volatility, the lower the fair value
Equity securities	Level III	Market comparable companies	Discount for lack of marketability (Note 3)	The higher the discount, the lower the fair value

Note 1: Discount rate, ranging from 2.48% to 3.36% (31 December 2020: 2.47% – 3.36%).

Note 2: Historical volatility, ranging from 10.06% to 87.57% (31 December 2020: 22.57% – 90.00%).

Note 3: Discount for lack of marketability, ranging from 20.00% to 60.00% (31 December 2020: 60.00%).

### (b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group. The fair values of long-term debt securities issued are classified as Level II and disclosed in Note 40.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's condensed consolidated statement of financial position approximate their fair values.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT

The Group's risk management aims to effectively allocate risk-based capital, limit risks to a controllable level, maximise the corporate value and constantly solidify the foundation for a steady and sustainable development of the Group. The group monitors and controls different types of risk exposures, such as credit risk, liquidity risk and market risk, which incurred from group's holdings on various financial instruments.

### (a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) credit risk from default or bankruptcy of debtors, including the loss due to default of intermediary institutions (such as brokers or custodian banks), in which case the risk exposure is the total value of outstanding debts; (2) counterparty risk in terms of default of counterparties in over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions), in which case the risk exposure depends on the changes in the market value of the derivatives; (3) credit risk from defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

### Measurement of expected credit losses

The Group recognises an impairment loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities measured at fair value through other comprehensive income via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

A default is that a client, a financier or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the loss bore by the Group on the exposure at default. In the determination of LGD, the Group estimates the recoverable cash flow from disposing underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and estimates LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different risk stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures the loss allowance on either a 12-month or the lifetime basis for the investments at different risk stages.



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Provision method of ECL

The Group recognises impairment allowance based on ECL for businesses such as debt securities investment and margin financing. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different risk stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be classified into “Stage 1”; the financial instruments of which the credit risk has increased significantly since the initial recognition will be classified into “Stage 2”; and the financial instruments that have been credit-impaired will be transferred into “Stage 3”. The Group measures ECL based on the parameters such as PD, LGD and EAD.

#### The criteria of significant increase in credit risk (“SICR”)

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of the bond issuer or the debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions of the bond issuer and these adverse changes are expected to cause a significant decrease in the bond issuer’s ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the predetermined warning line, collaterals are suspended continuously or have adverse changes in their conditions, assets held by the debtors have significant deterioration in qualities, or a debt is approaching its maturity with a risk of default.

#### The criteria of credit-impaired assets

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the circumstances in which a bond issuer can be regarded as in default include failure to perform the payment obligations as agreed, having other bond defaults or having significant financial difficulties; (2) for margin financing business: a margin financing client violates the business agreement in terms of failing to remargin in a timely manner when the margin ratio is below the agreed level, failing to fully repay the debt when a margin call is triggered or failing to fully repay the debt when the contract expires, or when a margin is unable to be closed out as trading of the collaterals has been suspended, or when the shares used as pledge/guarantee are frozen by judicial system.

#### Forward-looking information

The Group measures ECL using forward looking information without undue costs or efforts. In order to adjust the default rates to incorporate forward-looking information, the Group, using forecasts of year-on-year changes in cumulative GDP and of year-on-year changes in domestic loans denominated in RMB as the basis, establishes relationship between the two macroeconomic indicators and default rates with the use of statistical models and sets different scenario weightings. The Group determined the forecasted values of the two macroeconomic indicators to be 8.9% and 11.4% as at 30 June 2021 based on publicly available forecasts of third parties. The tuning parameter was determined with the use of weighted average of the values under optimistic, neutral and pessimistic hypothetical scenarios in combination with qualitative analysis method.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Debt securities (including debt securities measured at fair value through profit or loss (“FVTPL”) and at FVTOCI)

The Group emphasizes the diversification level of the fixed income credit products and the credit products invested are those predominantly with relatively high credit ratings. The Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

The carrying amount of the Group's debt securities is presented as follows:

	As at 30 June 2021	As at 31 December 2020
Financial assets at fair value through profit or loss	85,559,527,572	80,814,486,684
Financial assets at fair value through other comprehensive income	36,235,106,892	37,212,187,524
<b>Total</b>	<b>121,794,634,464</b>	<b>118,026,674,208</b>

(i) The exposure to credit risk for debt securities at FVTPL and FVTOCI by the location of issuer is presented as follows:

	As at 30 June 2021	As at 31 December 2020
Mainland China	121,551,002,536	117,490,283,780
Outside mainland China	243,631,928	536,390,428
<b>Total</b>	<b>121,794,634,464</b>	<b>118,026,674,208</b>

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

Debt securities (including debt securities measured at fair value through profit or loss (“FVTPL”) and at FVTOCI) (continued)

(ii) The following table presents an analysis of credit quality of the debt securities at FVTPL and FVTOCI.

Credit rating	As at 30 June 2021		As at 31 December 2020	
	FVTPL	FVTOCI 12-month ECL	FVTPL	FVTOCI 12-month ECL
Outside mainland China (by international rating agencies)				
– AAA	12,983	–	13,428	–
– From AA – to AA+	2,866,035	–	195,266,774	–
– From A – to A+	577,783,834	2,752,012,933	976,835,477	1,266,183,968
– Below A-	9,252,386,705	3,074,800,182	11,918,910,384	2,473,257,046
Subtotal	9,833,049,557	5,826,813,115	13,091,026,063	3,739,441,014
Mainland China (by domestic rating agencies)				
– AAA	45,502,303,036	24,020,843,003	36,619,827,151	29,898,050,228
– From AA – to AA+	7,756,716,174	307,064,371	6,886,308,780	487,227,674
– From A – to A+	1,012,339,518	–	1,850,277,198	–
– Below A-	737,401,483	–	502,380,429	–
Subtotal	55,008,760,211	24,327,907,374	45,858,793,558	30,385,277,902
Non-rated I (Note 1)	7,963,457,648	6,080,386,403	5,953,043,593	3,087,468,608
Non-rated II (Note 2)	12,754,260,156	–	15,911,623,470	–
Total	85,559,527,572	36,235,106,892	80,814,486,684	37,212,187,524
Impairment loss allowance		(11,128,390)		(18,166,922)

Note 1: These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities with no ratings provided by independent rating agencies.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses including margin financing and securities lending business and stock-based lending business: vetting counterparties, determining credit ratings and setting lending limits; managing collaterals (via haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; establishing and implementing margin call and mandatory liquidation policy.

The exposure to credit risk for financial assets other than debt securities at the reporting date by geographic region was as follows:

	As at 30 June 2021	As at 31 December 2020
Mainland China	196,692,202,227	161,864,911,019
Outside mainland China	72,953,019,490	54,449,388,368
Total	269,645,221,717	216,314,299,387

#### Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and determines credit ratings accordingly. On the basis of credit ratings, the Group sets a corresponding limit of credit risk exposure for each counterparty, and manages counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and by requiring performance guarantees. The Group calculates the minimum amount required as collateral and credit risk exposure for an OTC derivative counterparty by establishing dynamic scenarios combined with stress test, and measures and monitors the minimum collateral value and credit risk exposure through the system on a daily basis. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds at reasonable costs in a timely manner to meet its debt obligations, fulfill other payment obligations, and satisfy the funding needs in conducting ordinary business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess the Group's liquidity risk level; maintaining adequate high-quality liquid assets and establishing contingency plan for potential liquidity crisis situation.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on their contractual undiscounted payments, is presented as follows:

	As at 30 June 2021				Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	37,068,555,004	-	-	37,068,555,004
Derivative financial liabilities (Note)	-	19,205,607,492	736,845,457	3,013,886	19,945,466,835
Accounts payable to brokerage clients	86,054,478,211	-	-	-	86,054,478,211
Placements from financial institutions	-	23,930,636,133	-	-	23,930,636,133
Short-term debt securities issued	-	19,849,871,465	1,303,985,786	-	21,153,857,251
REPOs	-	33,995,088,131	-	-	33,995,088,131
Long-term debt securities issued	-	33,465,234,372	142,992,257,597	7,171,410,000	183,628,901,969
Lease liabilities	-	570,457,884	719,269,873	94,950,259	1,384,678,016
Others	85,693,024,921	54,457,465,459	17,257,712	-	140,167,748,092
Total	171,747,503,132	222,542,915,940	145,769,616,425	7,269,374,145	547,329,409,642

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk (continued)

	As at 31 December 2020				Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	
Financial liabilities					
Financial liabilities at fair value through profit or loss	–	42,861,548,262	31,204,353	–	42,892,752,615
Derivative financial liabilities (Note)	–	24,274,292,861	404,514,934	3,726,842	24,682,534,637
Accounts payable to brokerage clients	70,655,180,456	–	–	–	70,655,180,456
Placements from financial institutions	–	34,693,675,373	–	–	34,693,675,373
Short-term debt securities issued	–	24,786,178,088	1,777,427,519	–	26,563,605,607
REPOs	–	25,176,471,507	–	–	25,176,471,507
Long-term debt securities issued	–	25,317,890,096	107,220,070,994	8,273,380,000	140,811,341,090
Lease liabilities	–	583,385,659	631,680,737	80,101,973	1,295,168,369
Others	55,400,011,773	29,438,926,631	13,888,735	–	84,852,827,139
Total	126,055,192,229	207,132,368,477	110,078,787,272	8,357,208,815	451,623,556,793

Note: The undiscounted contractual net cash outflows on derivative liabilities is presented on a net basis.

### (c) Market risk

Market risk is the risk of loss of the Group's income and value of financial instruments arising from unfavourable market conditions such as adverse changes in interest rates, stock prices and exchange rates. The objectives of market risk management are to monitor the market risk and control it within the acceptable range and to maximise the risk-adjusted return. The Group conducts stress test on a regular basis and calculates risk control indicators and operating indicators under different scenarios. The Group monitors the market risk for investment portfolios and for non-trading portfolios separately.

#### (i) Market risk of investment portfolios

Investment portfolio includes financial assets at FVTPL and at FVTOCI, derivative financial assets, financial liabilities at FVTPL, derivative financial liabilities. The risk exposures are measured and monitored against limits on principal, stop-loss limit, etc., and are maintained within the established limits. The Group adopts various methods (such as Value-at-Risk ("VaR") analysis, sensitivity limit analysis, investment concentration limit analysis, scenario analysis and stress test) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique with the use of which the Group estimates the potential losses that could incur on its risk position under the unfavourable market condition over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR using historical simulation method and implements relevant controls over the market risk accordingly. The historical simulation method is used to estimate future profit or loss based on observed historical market risk factors movements and sensitivity of the current investment portfolio to those risk factors.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (i) Market risk of investment portfolios (continued)

Based on three-year historically observed market risk factors movements, the Group has adopted the historical simulation method at the 95% confidence level to compute its daily VaR. The 95% daily VaR indicates that the expected one-day loss of the Group's portfolio will not exceed this VaR at 95% chance, if the portfolio were held constant for one day. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do have some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the estimate due to the one-day time horizon of VaR;
- The 95% confidence level does not reflect losses that may occur beyond this level. Under the model currently in use, the unrealised loss in portfolio value would have been exceeded with a frequency of 5%;
- VaR is calculated on an end-of-day basis and does not take into account intraday trading; and
- Historical changes in market risk factors may not be accurate predictors of future market conditions, especially in terms of fully incorporating the risk of extreme market events.

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the periods:

	As at 30	Six months ended 30 June 2021		
	June 2021	Average	Highest	Lowest
Equity prices	195,181,340	171,150,055	215,684,592	132,532,882
Interest rates	60,015,874	47,642,900	70,531,955	35,761,912
Currency rates	30,973,749	37,175,763	44,258,664	25,913,734
Commodity prices	239,846	633,261	1,548,226	116,233
Diversification effect	(87,329,855)	(76,133,153)		
Total portfolio	199,080,954	180,468,826	220,752,094	151,260,280

	As at 31	Year ended 31 December 2020		
	December 2020	Average	Highest	Lowest
Equity prices	168,760,417	159,476,256	271,586,230	32,843,887
Interest rates	35,629,109	43,610,214	53,094,558	29,775,232
Currency rates	37,172,023	36,988,612	43,489,561	25,464,285
Commodity prices	1,309,872	1,359,948	5,372,547	283,783
Diversification effect	(63,062,795)	(71,837,789)		
Total portfolio	179,808,626	169,597,241	267,183,358	62,439,644



# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (ii) Market risk of non-trading portfolios

##### (1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits with banks and with clearinghouses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	Six months ended 30 June	
	2021	2020
Changes in basis points (bps)		
Increase by 50 bps	(322,305,191)	(306,383,452)
Decrease by 50 bps or decrease to 0	369,903,976	308,233,946

	Sensitivity of equity	
	As at	As at
	30 June	31 December
	2021	2020
Changes in bps		
Increase by 50 bps	(322,305,191)	(287,838,356)
Decrease by 50 bps or decrease to 0	369,903,976	323,448,026

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (c) **Market risk** (continued)

#### (ii) **Market risk of non-trading portfolios** (continued)

##### (1) **Interest rate risk** (continued)

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes of interest rates within one year and shows how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50-bp changes of interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;
- the shift in the yield curve is parallel with the changes of interest rate;
- There are no changes in the assets and liabilities portfolios;
- Other variables (including exchange rates) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

As the actual changes of interest rate can be different from the above assumptions, the impact of the interest rate changes on the Group's net profit and equity may vary from the estimated results of the sensitivity analysis.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 48. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (ii) Market risk of non-trading portfolios (continued)

##### (2) Currency risk

Currency risk is the risk arising from fluctuations of foreign exchange rates. The table below presents the exchange rate sensitivity analysis of the Group's major currency risk exposures, which calculates the impact of reasonably possible changes in the foreign exchange rate on equity where all other variables are held constant. This analysis does not take into account any foreign exchange correlations or changes in fair values of financial instruments denominated in foreign currencies, nor does it take into account any measures (for instance use of currency derivatives) that the Group may take to address the adverse impact of foreign exchange exposure on equity.

Currency	Changes in exchange rates	Sensitivity of equity	
		As at 30 June 2021	As at 31 December 2020
USD	1%	(246,773,869)	(257,483,322)
HKD	1%	32,861,686	80,385,868
Others	1%	4,248,109	1,773,972

While the table above indicates the impact on equity of 1% appreciation of USD, HKD and other foreign currencies, there will be an opposite effect with the same amount if the currencies depreciate by the same percentage.

# Notes to the Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB, unless otherwise stated)

## 49. CONTINGENCIES

The Group is exposed to the risk of economic benefit outflows due to litigations, arbitrations or regulatory investigations in the course of operations. The Group, after having assessed in accordance with the IAS, believes that the probability for the occurrence of such risk is relatively low. The Group had no outstanding contingent matters which had a material impact on its consolidated financial position as at 30 June 2021.

## 50. SUBSEQUENT EVENTS

### (a) *Corporate bonds*

The Group redeemed 16 CICC 01 with an aggregate principal amount of RMB2.88 billion and 16 CICC 02 with an aggregate principal amount of RMB1.00 billion on 19 July 2021. The Group issued 21 CICC WMS S1 with an aggregate principal amount of RMB2.00 billion on 9 August 2021. The Group issued 21 CICC G5 with an aggregate principal amount of RMB1.00 billion and 21 CICC G6 with an aggregate principal amount of RMB1.50 billion on 16 August 2021.

### (b) *Profit distribution*

The Company's Annual General Meeting approved the 2020 profit distribution plan on 18 May 2021. The distribution of cash dividends was made in July 2021.

### (c) *Business integration between the Company and CICC Wealth Management*

To achieve synergy of the Group, the Company intends to transfer 20 branches (including their assets and liabilities), and other client relationships, business and contracts related to domestic wealth management business to CICC Wealth Management. This transaction does not change the equity structure of CICC Wealth Management and is not expected to have material impacts to the consolidated financial statements.

# Independent Auditor's Report

## To the Shareholders of China International Capital Corporation Limited

*(Incorporated in the People's Republic of China with limited liability)*

### OPINION

We have audited the consolidated financial statements of China International Capital Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 204 to 354, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments measured at Level III fair value</i>	
<p>We identified the valuation of financial instruments measured at Level III fair value as a key audit matter.</p> <p>As at 31 December 2020, the Group holds financial instruments of RMB18,334 million measured at Level III fair values as disclosed in Note 56, which are significant to the consolidated financial statements.</p> <p>For the valuation of these financial instruments measured at Level III fair value, the selection of valuation techniques, the key assumptions and unobservable inputs used in the valuation techniques involve significant estimation of the management as disclosed in Note 4(a) and Note 56.</p> <p>Owing to the above reasons, we identified the valuation of financial instruments measured at Level III fair value as a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our procedures in relation to valuation of financial instruments measured at Level III fair value included:</p> <ul style="list-style-type: none"> <li>• Understanding the Group's valuation models for financial instruments at Level III fair value and key controls over selection of valuation methods and determining the valuation of such financial instruments;</li> <li>• Selecting financial instruments at Level III fair value on a sample basis and: <ul style="list-style-type: none"> <li>– Reviewing the investment agreements to understand the relevant investment terms and identifying any conditions that were relevant to the valuation of the selected financial instruments;</li> <li>– Evaluating the appropriateness of the model adopted by management in the valuation of the selected financial instruments, based on our knowledge of current industry practice;</li> <li>– Evaluating the appropriateness of the unobservable and observable inputs used by the management for measuring the fair value of the selected financial instruments with reference to relevant market data;</li> </ul> </li> <li>• For the samples selected in above procedures, involving our internal valuation specialists to develop expected fair values and sensitivity analysis of the selected financial instruments, on a sample basis, and investigating if the expected fair values are significantly deviated from the corresponding fair value adopted by the Group.</li> </ul>

## Independent Auditor's Report

### KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
<i>Consolidation of structured entities</i>	
<p>We identified the consolidation of structured entities as a key audit matter.</p> <p>As disclosed in Note 53(a) to the consolidated financial statements, as at 31 December 2020, the carrying amount of interests held by the Group amounted to RMB23,704 million, which is significant to the consolidated financial statements.</p> <p>As disclosed in Note 4(b) to the consolidated financial statements, in accordance with the principle of control in IFRS 10 <i>Consolidated Financial Statements</i>, to determine whether structured entities should be consolidated, a combination of factors need to be assessed by management to make a comprehensive judgment on whether the Group has controlled the structured entities, according to the terms of the related contracts, including the purpose of establishment, the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, that the Group is a principal or an agent and etc. The assessment above involves significant judgement and estimation of the management.</p> <p>Owing to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of management's key controls over determining the consolidation of structured entities;</li> <li>• Reviewing, on a sample basis, the related investment contracts and service agreements of investments in structured entities to assess whether the management has appropriately considered the following factors in determining the consolidation of structured entities: <ul style="list-style-type: none"> <li>– The purpose of establishment, the major activities and decision-making process of these structured entities;</li> <li>– All variable returns entitled, primarily investment income and management remuneration, by the Group;</li> <li>– The Group's substantive power over these structured entities and how it can affect the variable returns; and</li> <li>– Whether the Group makes investment decision as the principal.</li> </ul> </li> <li>• Checking and evaluating, on a sample basis, management's quantitative analysis on the Group's exposure or right to variable returns with its economic interests in the structured entity and examining the data used in these calculations by reference to the related contracts.</li> </ul>



## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Man Kai Sze.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, China

30 March 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Revenue:			
Fee and commission income	7	15,614,699,770	10,733,052,264
Interest income	8	5,644,871,039	4,800,188,053
Investment income	9	13,158,640,416	6,958,642,800
Total revenue		34,418,211,225	22,491,883,117
Other (losses)/income, net	10	(2,016,384,259)	290,627,436
Total revenue and other income		32,401,826,966	22,782,510,553
Expenses:			
Fee and commission expenses	11	1,989,083,356	1,186,330,727
Interest expenses	12	6,713,748,168	5,895,513,419
Staff costs	13	10,775,510,804	7,202,881,554
Depreciation and amortisation expenses	16	1,000,778,080	913,235,412
Tax and surcharges		115,775,920	84,392,616
Other operating expenses and costs	17	2,088,661,086	2,099,330,393
Provision for impairment losses under expected credit loss model	18	972,795,291	159,597,831
Total expenses		23,656,352,705	17,541,281,952
Operating profit		8,745,474,261	5,241,228,601
Share of (losses)/profits of associates and joint ventures		(32,791,974)	60,403,081
Profit before income tax		8,712,682,287	5,301,631,682
Less: Income tax expense	19	1,450,542,933	1,053,804,852
Profit for the year		7,262,139,354	4,247,826,830
Attributable to:			
Shareholders of the Company		7,207,452,452	4,238,719,317
Non-controlling interests		54,686,902	9,107,513
Basic earnings per share (in RMB per share)	20	1.60	0.99

The notes on pages 214 to 354 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	<b>7,262,139,354</b>	4,247,826,830
Other comprehensive income for the year		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net (losses)/gains from changes in fair value	<b>(59,000,864)</b>	370,839,097
– Provision for/(reversal of) expected credit losses	<b>1,123,234</b>	(3,108,166)
– Tax effect	<b>48,247,322</b>	(17,850,298)
– Net gains transferred to profit or loss on disposals	<b>(143,553,236)</b>	(200,589,971)
Interests in associates and joint ventures:		
– Share of other comprehensive income	<b>103,278</b>	(103,278)
Foreign currency translation difference of financial statements of overseas subsidiaries	<b>(716,447,510)</b>	165,151,703
Total other comprehensive income for the year, net of income tax	<b>(869,527,776)</b>	314,339,087
Total comprehensive income for the year	<b>6,392,611,578</b>	4,562,165,917
Attributable to:		
Shareholders of the Company	<b>6,337,924,676</b>	4,553,058,404
Non-controlling interests	<b>54,686,902</b>	9,107,513

The notes on pages 214 to 354 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2020	2019
Non-current assets:			
Property and equipment	21	<b>748,398,324</b>	729,506,720
Right-of-use assets	22	<b>2,271,552,336</b>	2,603,508,871
Goodwill	23	<b>1,582,678,646</b>	1,582,678,646
Intangible assets	24	<b>310,819,976</b>	285,100,659
Interests in associates and joint ventures	25	<b>1,188,852,866</b>	1,168,476,657
Financial assets at fair value through profit or loss	26	<b>6,709,361,710</b>	3,719,607,275
Financial assets held under resale agreements ("reverse REPOs")	27	<b>902,186,358</b>	241,608,278
Refundable deposits	28	<b>11,768,323,935</b>	6,502,093,854
Deferred tax assets	29	<b>1,787,614,365</b>	1,089,945,732
Other non-current assets	30	<b>510,965,054</b>	1,315,599,799
<b>Total non-current assets</b>		<b>27,780,753,570</b>	19,238,126,491
Current assets:			
Accounts receivable	31	<b>43,493,774,685</b>	17,876,559,376
Receivable from margin clients	32	<b>33,884,813,279</b>	23,189,950,890
Financial assets at fair value through other comprehensive income	33	<b>37,212,187,524</b>	28,985,823,339
Financial assets at fair value through profit or loss	26	<b>240,896,335,935</b>	164,472,286,846
Reverse REPOs	27	<b>17,528,510,790</b>	14,057,328,635
Derivative financial assets	34	<b>12,311,263,836</b>	4,502,204,258
Cash held on behalf of clients	35	<b>60,950,716,097</b>	48,458,799,900
Cash and bank balances	36	<b>47,161,071,068</b>	23,958,928,670
Other current assets		<b>401,072,832</b>	231,234,510
<b>Total current assets</b>		<b>493,839,746,046</b>	325,733,116,424
<b>Total assets</b>		<b>521,620,499,616</b>	344,971,242,915

	Notes	As at 31 December	
		2020	2019
Current liabilities:			
Financial liabilities at fair value through profit or loss	39	<b>42,891,549,327</b>	26,570,318,854
Derivative financial liabilities	34	<b>24,682,534,637</b>	6,362,192,001
Accounts payable to brokerage clients	40	<b>70,655,180,456</b>	48,337,872,171
Placements from financial institutions	41	<b>34,516,414,695</b>	24,082,382,130
Short-term debt securities issued	42	<b>26,492,570,465</b>	21,240,334,869
Financial assets sold under repurchase agreements ("REPOs")	43	<b>25,101,083,823</b>	24,708,257,231
Employee benefits payable	44	<b>7,805,043,988</b>	4,843,433,026
Income tax payable		<b>915,619,202</b>	991,893,266
Long-term debt securities issued due within one year	46	<b>23,386,443,319</b>	21,806,085,676
Lease liabilities	47	<b>541,299,132</b>	487,672,398
Contract liabilities	48	<b>170,928,280</b>	339,489,435
Other current liabilities	45	<b>85,922,851,573</b>	56,957,135,623
Total current liabilities		<b>343,081,518,897</b>	236,727,066,680
Net current assets		<b>150,758,227,149</b>	89,006,049,744
Total assets less current liabilities		<b>178,538,980,719</b>	108,244,176,235
Non-current liabilities:			
Non-current employee benefits payable	44	<b>781,920,387</b>	636,478,779
Long-term debt securities issued	46	<b>104,614,517,533</b>	57,585,268,714
Deferred tax liabilities	29	<b>506,667,665</b>	361,389,177
Lease liabilities	47	<b>663,560,140</b>	972,322,130
Other non-current liabilities	49	<b>157,182,000</b>	157,182,000
Total non-current liabilities		<b>106,723,847,725</b>	59,712,640,800
Net assets		<b>71,815,132,994</b>	48,531,535,435

## Consolidated Statement of Financial Position

As at 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2020	2019
Equity:			
Share capital	50	<b>4,827,256,868</b>	4,368,667,868
Other equity instruments	51	<b>5,000,000,000</b>	1,000,000,000
Reserves	50	<b>44,008,757,978</b>	31,144,523,534
Retained profits		<b>17,798,924,176</b>	11,780,607,940
Total equity attributable to shareholders of the Company		<b>71,634,939,022</b>	48,293,799,342
Non-controlling interests		<b>180,193,972</b>	237,736,093
Total equity		<b>71,815,132,994</b>	48,531,535,435

The notes on pages 214 to 354 form part of these financial statements.

The consolidated financial statements on pages 204 to 354 were approved and authorised for issue by the board of directors on 30 March 2021.

**Shen Rujun**  
Chairman of Board

**Huang Zhaohui**  
Chief Executive Officer

Company chop



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company										
	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital (Note 50(a))	Other equity instruments (Note 51)	Capital reserve (Note 50(b)(i))	Surplus reserve (Note 50(b)(iii))	General reserves (Note 50(b)(iii))	Investment revaluation reserve (Note 50(b)(iv))	Foreign currency translation reserve (Note 50(b)(v))				
At 1 January 2020	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435
Changes in equity for the year											
Profit for the year	-	-	-	-	-	-	-	7,207,452,452	7,207,452,452	54,686,902	7,262,139,354
Other comprehensive income for the year	-	-	-	-	-	(153,080,266)	(716,447,510)	-	(869,527,776)	-	(869,527,776)
Total comprehensive income for the year	-	-	-	-	-	(153,080,266)	(716,447,510)	7,207,452,452	6,337,924,676	54,686,902	6,392,611,578
Appropriation to surplus reserve	-	-	-	259,018,000	-	-	-	(259,018,000)	-	-	-
Appropriation to general reserves	-	-	-	-	873,118,216	-	-	(873,118,216)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Issuance of RMB denominated ordinary shares ("A Shares")	458,589,000	-	12,573,472,492	-	-	-	-	-	13,032,061,492	-	13,032,061,492
Issuance of perpetual subordinated bonds	-	5,000,000,000	-	-	-	-	-	-	5,000,000,000	-	5,000,000,000
Redemption of perpetual subordinated bonds	-	(1,000,000,000)	-	-	-	-	-	-	(1,000,000,000)	-	(1,000,000,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,431,032)	(15,431,032)
Acquisition of non-controlling interests	-	-	28,153,512	-	-	-	-	-	28,153,512	(93,836,612)	(65,683,100)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(2,961,379)	(2,961,379)
At 31 December 2020	4,827,256,868	5,000,000,000	39,533,272,979	995,576,479	4,074,311,372	37,927,416	(632,330,268)	17,798,924,176	71,634,939,022	180,193,972	71,815,132,994

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company										
	Share capital (Note 50(a))	Other equity instruments (Note 51)	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity
			Capital reserve (Note 50(b)(i))	Surplus reserve (Note 50(b)(iii))	General reserves (Note 50(b)(iii))	Investment revaluation reserve (Note 50(b)(iv))	Foreign currency translation reserve (Note 50(b)(v))				
At 1 January 2019	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the year											
Profit for the year	-	-	-	-	-	-	-	4,238,719,317	4,238,719,317	9,107,513	4,247,826,830
Other comprehensive income for the year	-	-	-	-	-	149,187,384	165,151,703	-	314,339,087	-	314,339,087
Total comprehensive income for the year											
	-	-	-	-	-	149,187,384	165,151,703	4,238,719,317	4,553,058,404	9,107,513	4,562,165,917
Appropriation to surplus reserve	-	-	-	204,062,803	-	-	-	(204,062,803)	-	-	-
Appropriation to general reserves	-	-	-	-	653,483,029	-	-	(653,483,029)	-	-	-
Distributions to holders of perpetual subordinated bonds											
	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)
Issuance of H shares	176,000,000	-	2,109,044,020	-	-	-	-	-	2,285,044,020	-	2,285,044,020
Acquisition of a subsidiary (Note 61(b))											
	-	-	-	-	-	-	-	-	-	44,411,965	44,411,965
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(8,996,185)	(8,996,185)
At 31 December 2019	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435

The notes on pages 214 to 354 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	8,712,682,287	5,301,631,682
Adjustments for:		
Net interest expenses on debt securities issued and others	4,397,010,784	3,611,755,518
Depreciation and amortisation expenses	1,000,778,080	913,235,412
Provision for impairment losses under expected credit loss model	972,795,291	159,597,831
Net (gains)/losses on disposal of property, equipment and other assets	(708,423)	6,165,220
Foreign exchange losses/(gains) from derivatives and from others	2,182,256,322	(128,163,134)
Losses on changes in fair value of financial instruments		
at fair value through profit or loss	5,921,265,185	2,764,522,596
Interest income from financial assets at fair value through other comprehensive income	(1,163,278,994)	(1,160,481,477)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	(49,225,405)	(183,934,701)
Net gains on disposal of investments	(724,905,073)	(329,902,783)
Operating cash flows before movements in working capital	21,248,670,054	10,954,426,164
Increase in receivable from margin clients	(10,777,778,021)	(5,402,373,306)
Increase in accounts receivable, other receivables and prepayments	(27,611,308,094)	(6,852,979,642)
(Increase)/decrease in reverse REPOs	(4,380,979,811)	5,251,248,559
Increase in financial instruments at fair value through profit or loss	(62,275,322,604)	(39,788,859,553)
Increase in cash held on behalf of clients	(12,488,113,549)	(10,553,418,153)
Decrease/(increase) in restricted bank deposits	386,794,440	(400,882,159)
Increase in refundable deposits	(5,269,413,596)	(3,012,242,820)
Increase in accounts payable to brokerage clients	23,055,610,235	7,019,714,725
Increase/(decrease) in REPOs	409,538,302	(23,930,577,902)
Increase in other liabilities	46,000,357,613	39,738,432,988
Cash used in operating activities, before income tax	(31,701,945,031)	(26,977,511,099)
Income tax paid	(2,036,745,238)	(680,321,278)
Net cash used in operating activities	(33,738,690,269)	(27,657,832,377)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Cash flows from investing activities:			
Receipts from disposal of investments		<b>39,068,118,584</b>	45,813,119,051
Cash receipts of investment returns		<b>819,534,578</b>	1,005,047,284
Cash and cash equivalents from acquisition of a subsidiary		–	25,251,681
Proceeds from disposal of property, equipment and other long-term assets		<b>31,576,002</b>	1,752,207
Purchase of investments		<b>(47,048,454,517)</b>	(39,902,385,252)
Purchase of property, equipment and other assets		<b>(460,252,973)</b>	(490,421,396)
Net cash outflows on disposal of subsidiaries	9	<b>(469,103,820)</b>	–
Net cash (used in)/generated from investing activities		<b>(8,058,582,146)</b>	6,452,363,575
Cash flows from financing activities:			
Proceeds from issuance of beneficiary certificates		<b>63,395,882,718</b>	64,479,473,418
Proceeds from issuance of corporate bonds		<b>55,000,000,000</b>	6,500,000,000
Proceeds from issuance of shares		<b>13,032,061,492</b>	2,285,044,020
Proceeds from issuance of medium-term notes ("MTNs")		<b>11,305,914,640</b>	6,734,400,000
Proceeds from issuance of structured notes		<b>10,529,132,195</b>	10,350,739,565
Proceeds from issuance of perpetual subordinated bonds		<b>5,000,000,000</b>	–
Proceeds from issuance of subordinated bonds		<b>3,500,000,000</b>	9,500,000,000
Proceeds from issuance of financial bonds		–	2,500,000,000
Redemption of beneficiary certificates		<b>(57,224,339,603)</b>	(61,273,122,933)
Redemption of corporate bonds		<b>(19,000,000,000)</b>	(3,224,000,000)
Redemption of structured notes		<b>(10,773,425,640)</b>	(5,822,951,719)
Redemption of asset-backed securities		<b>(1,900,000,000)</b>	–
Redemption of perpetual subordinated bonds		<b>(1,000,000,000)</b>	–
Redemption of subordinated bonds		<b>(1,000,000,000)</b>	(2,200,000,000)
Redemption of MTNS		–	(3,449,400,000)
Cash paid for dividend or interest		<b>(4,136,836,240)</b>	(3,407,297,145)
Dividends paid to shareholders of the Company		–	(670,826,859)
Repayment of lease liabilities		<b>(554,085,281)</b>	(532,004,072)
Distribution to holders of perpetual subordinated bonds		<b>(57,000,000)</b>	(57,000,000)
Cash outflows associated with other financing activities		<b>(129,280,579)</b>	(36,182,940)
Net cash generated from financing activities		<b>65,988,023,702</b>	21,676,871,335

	Notes	Year ended 31 December	
		2020	2019
Net increase in cash and cash equivalents		<b>24,190,751,287</b>	471,402,533
Cash and cash equivalents at the beginning of the year		<b>23,097,595,256</b>	21,954,987,644
Effect of exchange rate changes		<b>(625,912,988)</b>	671,205,079
Cash and cash equivalents at the end of the year	37	<b>46,662,433,555</b>	23,097,595,256
Net cash used in operating activities including:			
Interest received		<b>5,904,405,665</b>	5,443,865,416
Interest paid		<b>(2,085,583,493)</b>	(1,887,262,091)

The notes on pages 214 to 354 form part of these financial statements.

# Notes to the Consolidated Financial Statements

*(Expressed in RMB, unless otherwise stated)*

## 1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the “Company”) was established on 25 June 1995 in the People’s Republic of China (“PRC”) as approved by the People’s Bank of China (“PBOC”). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No. 000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited) (“CICC Wealth Management”) in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin Investment Ltd. (“Huijin”) as a consideration of the acquisition. After the completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The Company completed general mandate of placement and issuance of 176,000,000 new H shares in October 2019. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The Company completed the issuance of 458,589,000 A Shares and was listed on the Shanghai Stock Exchange in November 2020. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,827,256,868.

The Company’s unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 31 December 2020, the Company has 23 securities business offices and 7 branches. Please refer to Note 61 for details of subsidiaries of the Company.

The Company and its subsidiaries (together the “Group”) are principally engaged in investment banking business, equities business, fixed-income, currency and commodity (“FICC”) business, asset management business, private equity business, wealth management business and other business activities.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to International Accounting Standards ("IAS") 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### (b) New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions<sup>i</sup></i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform - Phase 2<sup>ii</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment - Proceeds before Intended Use<sup>iii</sup></i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract<sup>iii</sup></i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>iii</sup></i>
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018-2020<sup>iii</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>iv</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>iv</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>iv</sup></i>
IFRS 17	<i>Insurance Contracts and the related Amendments<sup>iv</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>v</sup></i>

- (i) Effective for annual periods beginning on or after 1 June 2020.
- (ii) Effective for annual periods beginning on or after 1 January 2021.
- (iii) Effective for annual periods beginning on or after 1 January 2022.
- (iv) Effective for annual periods beginning on or after 1 January 2023.
- (v) Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if omitting, misstating or obscuring it is reasonably expected to influence the decisions made by primary users on the basis of the financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and for which a valuation technique with unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price or investment cost.

In addition, for financial reporting purposes, fair value measurements are categorised into Level I, II or III based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level II inputs are inputs, other than quoted prices included within Level I, that are observable for the asset or liability, either directly or indirectly; and
- Level III inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.



### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies

##### (a) Basis of consolidation

##### (i) **Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in a business combination is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (a) Basis of consolidation *(continued)*

##### *(ii) 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 financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full when preparing the 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 shareholders of the Company. 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 holders of non-controlling interests and shareholders of the Company.

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. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (a) Basis of consolidation *(continued)*

##### ***(ii) Subsidiaries and non-controlling interests (continued)***

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary. Any gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owner of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 (see Note 3.2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 3.2(a)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3.2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### ***(iii) Associates and joint ventures***

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the 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). 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 associate or joint venture that forms part 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 relating to the investment (see Note 3.2(k)). 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 the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (a) Basis of consolidation *(continued)*

##### **(iii) Associates and joint ventures** *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures 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 an associate becomes an investment in a joint venture or vice versa, the 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 significant influence over an associate or joint control over a joint venture, 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 significant influence or joint control 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 3.2(e)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (b) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3.2(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (c) Foreign currency

##### *(i) Translation of foreign currencies*

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency used to hedge a net investment in a foreign operation that are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial assets at fair value through other comprehensive income which are recognised in other comprehensive income.

##### *(ii) Foreign operations*

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

##### (e) Financial instruments

###### (i) *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### ***(ii) Classification and subsequent measurement***

###### *(1) Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") (including debt investment and equity investment); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

On initial recognition of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) **Classification and subsequent measurement** *(continued)*

##### (1) *Financial assets (continued)*

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *Financial assets – Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;



### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) **Classification and subsequent measurement** *(continued)*

###### (1) *Financial assets (continued)*

###### *Financial assets – Business model assessment (continued)*

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### *Financial assets – The "SPPI" assessment*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### (1) Financial assets *(continued)*

##### *Financial assets – The “SPPI” assessment (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### *Financial assets – Subsequent measurement and gains and losses*

##### **Financial assets classified as at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### **Financial assets classified as at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. For purchased or originated credit-impaired financial assets, the Group recognises interest by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

##### **Debt investments classified as at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### **Equity investments classified as at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) **Classification and subsequent measurement** *(continued)*

##### (2) *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model and correspondingly recognises loss allowances on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, receivable from margin clients, reverse REPOs, trade and other receivables in accordance with IFRS 15 and loans to associates and joint ventures);
- debt investment measured at FVTOCI; and
- contract assets in accordance with IFRS 15.

The Group measures the loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group always recognises lifetime ECL for trade receivable and contract assets that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component in accordance with IFRS 15 (or when the group applies the practical expedient in accordance with IFRS 15). The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### (2) Impairment of financial assets *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instruments or similar financial instruments with the same expected life;
- an actual or expected significant deterioration in the financial instrument's external or internal (if available) credit rating;
- an actual or expected internal credit rating downgrade for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- significant deterioration in the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements;
- an actual or expected significant deterioration in the quality of credit enhancement;
- significant changes in the expected performance and behavior of the borrower.

Irrespective of the outcome of the above assessment, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Depending on the nature of the financial instruments, the Group identifies significant changes in credit risk on individual financial instruments or a group or sub-group of financial instruments. For purpose of determining significant increases in credit risk on a collective basis, the Group groups financial instruments on the basis of shared credit risk characteristics, which may include, past-due status and credit risk ratings.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) **Classification and subsequent measurement** *(continued)*

##### (2) *Impairment of financial assets (continued)*

The Group considers a financial asset to be in default when:

- 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
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) **Classification and subsequent measurement** *(continued)*

##### (2) *Impairment of financial assets (continued)*

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are 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 data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

##### *Presentation of allowance for ECL in the statement of financial position*

The allowances for ECL for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the allowance for ECL is charged to profit or loss and is recognised in OCI.

##### *Write-off policy*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### (3) Financial liabilities and equity – Classification, subsequent measurement and gains and losses

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or of which the Group has the sole discretion to indefinitely defer payment for distribution or redemption are classified as equity instruments.

Repurchase of the Group's own equity instruments is recognised in and deducted directly from equity. No gain or loss is recognised in profit or loss for the purchase, sale, issue or cancellation of the Group's own equity instruments.

##### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### (iii) Derecognition

##### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (iii) Derecognition *(continued)*

###### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when the terms of the financial liability are substantially modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### (v) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.



### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### **(vi) Derivative financial instruments and hedge accounting**

###### *(1) Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

A derivative instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

###### *(2) Hedge accounting*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (vi) **Derivative financial instruments and hedge accounting** *(continued)*

##### (2) *Hedge accounting (continued)*

##### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (e) Financial instruments *(continued)*

##### (vi) **Derivative financial instruments and hedge accounting** *(continued)*

###### (3) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

##### (f) **Financial assets held under resale agreements and financial assets sold under repurchase agreements**

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (g) Property and equipment

##### (i) **Recognition and measurement**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 3.2(k)). Property and equipment under construction is stated at cost less impairment losses (Note 3.2(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress.

##### (ii) **Subsequent costs**

The subsequent costs including the cost of replacing part of an item of property or equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### (iii) **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of net residual value
Buildings	20 – 35 years	3% – 5%
Office equipment	2 – 5 years	0% – 10%
Furniture and fixtures	3 – 5 years	0% – 10%
Motor vehicles	3 – 5 years	0% – 10%
Leasehold improvements	Benefit period	Nil

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and net residual values are reassessed at the end of the reporting period.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (g) Property and equipment *(continued)*

##### ***(iv) Gains or losses from the retirement or disposal***

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

##### (h) Leases

##### ***(i) Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### ***(ii) The Group as a lessee***

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the consideration is allocated in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead to account for the lease component and any associated non-lease components as a single lease component.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date (i.e. the date the underlying asset is available for use) and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (h) Leases *(continued)*

##### (ii) **The Group as a lessee** *(continued)*

###### *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, a right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

###### *Refundable rental deposits*

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

###### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (h) Leases *(continued)*

##### (ii) **The Group as a lessee** *(continued)*

##### *Lease liabilities (continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (h) Leases *(continued)*

##### (ii) **The Group as a lessee** *(continued)*

###### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

###### *Taxation*

For the purposes of measuring deferred tax arising from the recognition of right-of-use assets and related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. Temporary differences associated with right-of-use assets and lease liabilities are not recognised when the Group initially recognising the assets and liabilities and over the lease terms as a result of applying the initial recognition exemption of deferred tax under IAS 12 *Income Taxes*.

##### (i) **Intangible assets**

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 3.2(k)).

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.



### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (i) Intangible assets *(continued)*

Amortisation of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The self-developed software and software acquired from third party shall be amortised over 3 to 5 years. The trade mark right and the securities trading seat rights in mainland China shall be amortised over 10 years.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3.2(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3.2(e)(ii)(2) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3.2(o)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3.2(o)(v)).

##### (k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- right-of-use assets;
- investments in subsidiaries, associates and joint ventures; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amounts are estimated annually whether or not there is any indication of impairment.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (k) Impairment of non-financial assets *(continued)*

###### – **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 CGU).

###### – **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (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 favorable 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.

##### (l) Provisions and contingent liabilities

Provisions are recognised when the Group 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.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (l) Provisions and contingent liabilities *(continued)*

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.

##### (m) Employee benefits

###### *(i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

###### *(ii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

###### *(iii) Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

##### (n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (o) Revenue from contracts with customers and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a variable consideration, the Group estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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 IFRS 15 *Revenue from contracts with customers* and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (o) Revenue from contracts with customers and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

##### **(i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees**

Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.

Depending on the nature of the services and the contract terms, financial advisory fees and investment advisory fees are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

##### **(ii) Asset management fees**

Asset management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

##### **(iii) Brokerage commission income**

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed. Commission income from leasing out trading seats is recognised when the related services are rendered.

##### **(iv) Dividend income**

Dividend income from investments is recognised when the rights to receive payment have been established.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (o) Revenue from contracts with customers and other income *(continued)*

###### (v) Interest income

Interest income is recognised in profit or loss by using the effective interest method. For financial assets measured at amortised cost or debt securities measured at FVTOCI 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 impairment loss allowance) of the asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

##### (p) Expenses recognition

###### (i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

###### (ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

###### (iii) Other expenses

Other expenses are recognised on an accrual basis.

##### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (r) Income tax

Income tax expense 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 amount 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 year, 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 deductible temporary differences 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 related to 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 year 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.



### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (r) Income tax *(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 settle the current tax assets and the current tax liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

##### (s) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the year are not recognised as a liability at the end of the year but disclosed separately in the notes to the consolidated financial statements.

##### (t) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (u) Related parties

##### **(i) A person, or a close member of that person's family, is related to the Group if that person:**

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) 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:**

- (1) 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);
- (2) 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);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (6) The entity is controlled or jointly controlled by a person identified in Note 3.2(u)(i);
- (7) A person identified in Note 3.2(u)(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).

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.

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.2 Significant accounting policies *(continued)*

##### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (a) Fair value of financial instruments

Financial instruments without quotes from an active market require the use of valuation techniques to determine their fair values. Valuation techniques include the use of the latest market transaction information, reference to the current fair values of similar financial instruments, discounted cash flow method and option pricing model. Valuation techniques are subject to validation and adjustment before use to ensure that the valuation results reflect actual market conditions. The valuation models developed by the Group use market information as much as possible and information specific to the Group as little as possible. It should be noted that some of the information used in the valuation models requires management to make estimates (e.g. counterparty risk, risk correlation factors, etc.). The Group regularly reviews these estimates and assumptions and makes adjustments as necessary. Although the Group considers these valuations as best estimates, the ongoing COVID-19 pandemic has caused greater market volatility and may further lead to disruptions in the business of the investee or the issuer, and this factor may lead to greater uncertainty the valuation of the year.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

#### (b) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investor's returns. The Group reassesses whether it controls an investee when relevant facts and circumstances change to such an extent that there is a change in one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

#### (c) Impairment of goodwill

The Group assesses the recoverable amount of the goodwill at the end of year and performs impairment test no matter whether there is indication that the unit may be impaired or not.

The recoverable amount of a CGU (or group of CGUs) is the greater of its fair value less costs of disposal and value in use. In assessing the present value of expected future cash flows, significant judgements are exercised over the assets' selling price, related operating revenue and expenses and discounting rate to calculate the present value. All relevant information which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related revenue and operating expenses based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

#### (d) Measurement and recognition of ECLs

The measurement of the ECL allowance for debt investments measured at amortised cost and FVTOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of clients defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determining the number and relative weightings of forward-looking scenarios for the ECL of each type of product/market.

See Note 58(a) for more details on ECL.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

##### (e) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### 5. TAXATION

##### (a) Value-added tax ("VAT") and surcharges

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

##### (b) Income tax

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong Special Administrative Region ("Hong Kong SAR") is 16.5%. Taxes of other subsidiaries are charged at the relevant local rates.

#### 6. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and
- for which statements of financial position, of profit or loss and of cash flows are available.

## Notes to the Consolidated Financial Statements

*(Expressed in RMB, unless otherwise stated)*

### 6. SEGMENT REPORTING *(continued)*

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's businesses are structured and managed separately according to the nature of their operations and the services that the Group provides. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those to which the services offered by the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services to domestic and overseas corporations and institutional clients.
- the Equities segment provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions.
- the FICC segment provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities.
- the Asset Management segment designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business, etc.
- the Private Equity segment designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds, infrastructure funds, etc.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of transactional services, capital services and product configuration services, to retail clients, families and corporate clients.
- the Others segment mainly comprises of other business departments and back offices.

## 6. SEGMENT REPORTING (continued)

### (a) Segment results

	Year ended 31 December 2020							
	Investment banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	Total
Segment revenue								
– Fee and commission income (Note 2)	5,133,978,615	2,489,137,955	647,382,025	1,149,366,225	1,472,814,537	4,711,149,590	10,870,823	15,614,699,770
– Interest income	50,972,768	582,327,810	1,310,773,183	14,654,763	17,676,176	3,160,812,264	507,654,075	5,644,871,039
– Investment income	941,352,619	5,264,400,395	4,525,101,195	157,777,759	488,558,343	515,752,603	1,265,697,502	13,158,640,416
– Other income/(losses), net	1,105,217	(1,454,130,377)	(523,398,248)	(5,489,545)	51,808,120	33,970,654	(120,250,080)	(2,016,384,259)
Segment revenue and other income	6,127,409,219	6,881,735,783	5,959,858,155	1,316,309,202	2,030,857,176	8,421,685,111	1,663,972,320	32,401,826,966
Segment expenses	4,267,367,992	2,846,902,460	3,554,550,075	939,096,109	926,715,137	6,532,847,358	4,588,873,574	23,656,352,705
Segment operating profit/(loss)	1,860,041,227	4,034,833,323	2,405,308,080	377,213,093	1,104,142,039	1,888,837,753	(2,924,901,254)	8,745,474,261
Share of profits/(losses) of associates and joint ventures	–	–	–	10,615,161	29,703,534	(52,194,113)	(20,916,556)	(32,791,974)
Profit/(loss) before income tax	1,860,041,227	4,034,833,323	2,405,308,080	387,828,254	1,133,845,573	1,836,643,640	(2,945,817,810)	8,712,682,287
Segment assets	8,251,152,358	198,621,486,212	121,206,372,204	5,339,010,437	5,294,197,539	99,795,490,534	81,325,175,967	519,832,885,251
Deferred tax assets								1,787,614,365
Total assets								521,620,499,616
Segment liabilities	8,154,224,741	188,917,761,031	102,946,304,906	2,089,648,102	1,830,183,332	88,893,111,909	56,467,464,936	449,298,698,957
Deferred tax liabilities								506,667,665
Total liabilities								449,805,366,622
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 1)	253,491,014	953,735,323	2,760,772,473	47,866,061	65,072,299	1,693,942,202	938,868,796	6,713,748,168
Depreciation and amortisation expenses	98,801,239	62,167,371	56,404,643	57,664,394	45,508,972	367,945,114	312,286,347	1,000,778,080
Provision for/(reversal of) impairment losses under expected credit loss model	228,684,382	232,463,958	19,050,305	91,446,643	(6,942,533)	388,865,426	19,227,110	972,795,291

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 6. SEGMENT REPORTING (continued)

#### (a) Segment results (continued)

	Year ended 31 December 2019							
	Investment banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	Total
Segment revenue								
– Fee and commission income (Note 2)	3,359,717,441	1,668,903,374	948,341,187	607,462,426	1,178,435,057	2,934,500,779	35,692,000	10,733,052,264
– Interest income	34,876,803	341,779,304	1,285,722,809	6,811,205	3,197,812	2,685,329,019	442,471,101	4,800,188,053
– Investment income	461,357,069	2,025,898,545	3,349,179,348	4,681,397	212,289,148	(68,630,207)	973,867,500	6,958,642,800
– Other income, net	9,221,157	64,473,711	80,059,019	967,131	54,053,038	21,620,814	60,232,566	290,627,436
Segment revenue and other income	3,865,172,470	4,101,054,934	5,663,302,363	619,922,159	1,447,975,055	5,572,820,405	1,512,263,167	22,782,510,553
Segment expenses	2,536,868,971	1,786,658,142	3,804,917,409	575,718,045	734,691,133	4,506,764,356	3,595,663,896	17,541,281,952
Segment operating profit/(loss)	1,328,303,499	2,314,396,792	1,858,384,954	44,204,114	713,283,922	1,066,056,049	(2,083,400,729)	5,241,228,601
Share of profits/(losses) of associates and joint ventures	–	–	–	1,310,963	69,522,495	(6,579,451)	(3,850,926)	60,403,081
Profit/(loss) before income tax	1,328,303,499	2,314,396,792	1,858,384,954	45,515,077	782,806,417	1,059,476,598	(2,087,251,655)	5,301,631,682
Segment assets	7,410,811,403	103,219,733,870	111,968,447,320	3,940,071,048	5,254,925,769	76,667,496,771	35,419,811,002	343,881,297,183
Deferred tax assets								1,089,945,732
Total assets								344,971,242,915
Segment liabilities	8,482,236,380	101,754,005,043	88,719,663,470	1,460,395,344	1,787,729,731	65,375,736,530	28,498,551,805	296,078,318,303
Deferred tax liabilities								361,389,177
Total liabilities								296,439,707,480
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 1)	146,593,348	622,726,889	3,044,975,052	47,146,905	67,784,228	1,656,099,267	310,187,730	5,895,513,419
Depreciation and amortisation expenses	90,011,343	55,197,953	45,234,758	52,052,773	44,032,390	327,437,262	299,268,933	913,235,412
Provision for/(reversal of) impairment losses under expected credit loss model	71,170,593	24,419,090	(4,181,171)	40,433,749	325,561	9,604,909	17,825,100	159,597,831

Note 1: The Group allocates interest expenses across the reportable segments based on the capital used during the reporting periods for the purpose of measuring segment operating performance and improving efficiencies of capital management.

Note 2: The Group provided integrated financial products and services to clients through cross-function collaboration during the reporting period, resulting in the difference between identification of segments and classification of fee and commission income disclosed in Note 7.

Note 3: Based on the Group's strategic layout and needs of internal management, the former Investment Management was divided into and presented as Asset Management and Private Equity. The information of comparative period was restated accordingly.



## 6. SEGMENT REPORTING *(continued)*

### (b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, reverse REPOs, and deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients in which the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on where the fixed assets are located, where the intangible assets are allocated or where the associates and joint ventures operate.

	Revenues and other income from external customers	
	Year ended 31 December 2020	2019
Mainland China	<b>25,947,518,788</b>	17,540,324,418
Outside mainland China	<b>6,454,308,178</b>	5,242,186,135
Total	<b>32,401,826,966</b>	22,782,510,553

	Non-current assets	
	As at 31 December 2020	2019
Mainland China	<b>15,037,819,967</b>	10,431,470,733
Outside mainland China	<b>3,343,771,170</b>	3,755,494,473
Total	<b>18,381,591,137</b>	14,186,965,206

Reconciliation of segment non-current assets:

	Non-current assets	
	As at 31 December 2020	2019
Total non-current assets for segments	<b>41,129,935,249</b>	34,625,309,318
Elimination of inter-segment non-current assets	<b>(22,748,344,112)</b>	(20,438,344,112)
Total	<b>18,381,591,137</b>	14,186,965,206

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 6. SEGMENT REPORTING (continued)

#### (c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

### 7. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2020	2019
Brokerage commission income	6,110,720,519	3,878,042,278
Underwriting and sponsoring fees	5,343,341,053	3,721,672,193
Asset management fees	2,796,022,145	2,001,492,975
Financial advisory fees	866,049,521	674,668,431
Investment advisory fees	458,541,700	424,706,208
Others	40,024,832	32,470,179
Total	15,614,699,770	10,733,052,264

The remaining performance obligation is recognised as contract liabilities as at 31 December 2020 and disclosed in Note 48. Except as otherwise stated, there is no significant remaining performance obligation. Therefore, other information associated with the remaining performance obligations is not disclosed.

### 8. INTEREST INCOME

	Year ended 31 December	
	2020	2019
Interest income from margin financing and securities lending	2,038,478,998	1,461,146,778
Interest income from financial institutions	1,640,819,396	1,379,020,348
Interest income from financial assets at fair value through other comprehensive income	1,163,278,994	1,160,481,477
Interest income from reverse REPOs	687,030,820	724,518,298
Others	115,262,831	75,021,152
Total	5,644,871,039	4,800,188,053

## 9. INVESTMENT INCOME

	Year ended 31 December	
	2020	2019
Net gains from disposal of financial assets at fair value through other comprehensive income	<b>143,553,236</b>	200,589,971
Net gains from financial instruments at fair value through profit or loss	<b>31,863,283,753</b>	13,485,522,358
Net losses from derivative financial instruments	<b>(19,076,807,851)</b>	(6,726,172,403)
Others (Note)	<b>228,611,278</b>	(1,297,126)
<b>Total</b>	<b>13,158,640,416</b>	6,958,642,800

Note: In June 2019, CICC Wealth Management, the Company's subsidiary, entered into the *Share Transfer Agreement Regarding the Trading of All Issued Shares of China Investment Securities (Hong Kong) Financial Holdings Limited* with Soochow Securities (Hong Kong) Financial Holdings Limited and Soochow Securities Co., Ltd. The consideration of the transaction is HK\$479 million. The share transfer was filed with the China Securities Regulatory Commission (the "CSRC") with no objection in September 2019 and was approved in January 2020 by the Hong Kong Securities and Futures Commission. On 18 February 2020, CICC Wealth Management received the consideration of HK\$478 million, net of transaction costs and taxes, and transferred its 100.00% of equity interests in China Investment Securities (Hong Kong) Financial Holdings Limited ("CISHK"). Net loss of CISHK in 2019 amounted to RMB57 million, and the total assets and net assets of CISHK as at 31 December 2019 amounted to RMB1,504 million and RMB234 million, respectively. For the year ended 31 December 2020, CICC Wealth Management's investment income from disposal of the above equity interests amounted to RMB214 million and net cash outflows from the disposal of equity amounted to RMB469 million. The disposal of CISHK does not have a significant impact on the Group's financial position as at 31 December 2020 or on the Group's operating results for the year then ended.

## 10. OTHER (LOSSES)/INCOME, NET

		Year ended 31 December	
	Note	2020	2019
Tax refunds		<b>35,743,324</b>	29,738,215
Government grants		<b>99,197,508</b>	104,880,736
Foreign exchange (losses)/gains from derivatives	(i)	<b>(1,913,029,046)</b>	166,979,605
Others	(ii)	<b>(238,296,045)</b>	(10,971,120)
<b>Total</b>		<b>(2,016,384,259)</b>	290,627,436

- (i) According to Notice on Format of Financial Statements for Financial Institutions Revised and Issued by the Ministry of Finance of the PRC ("MOF") (Cai Kuai [2018] No. 36), gains and losses from foreign exchange derivatives are presented under foreign exchange gains and losses.
- (ii) Others mainly consisted of gains and losses of foreign currency transactions due to exchange rate fluctuations.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 11. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2020	2019
Brokerage commission expenses	1,500,251,148	899,443,687
Underwriting and sponsoring expenses	253,255,410	148,752,820
Asset management expenses	235,576,798	135,078,063
Investment advisory expenses	–	3,056,157
Total	1,989,083,356	1,186,330,727

### 12. INTEREST EXPENSES

	Year ended 31 December	
	2020	2019
Interest expenses on:		
– Corporate bonds	1,928,655,754	1,556,628,404
– Subordinated bonds	1,035,950,167	819,653,736
– Placements from financial institutions	821,960,532	765,511,832
– REPOs	795,605,313	1,009,619,621
– Beneficiary certificates	516,641,459	414,869,689
– MTNs	462,090,895	465,437,671
– Accounts payable to brokerage clients	232,542,671	164,291,750
– Structured notes	179,053,499	137,646,887
– Financial bonds	84,982,192	30,649,315
– Lease liabilities	57,162,780	73,500,946
– Others	599,102,906	457,703,568
Total	6,713,748,168	5,895,513,419

### 13. STAFF COSTS

	Year ended 31 December	
	2020	2019
Salaries, bonus and allowance	10,091,602,451	6,469,209,630
Retirement scheme contributions	167,961,232	285,900,064
Other social welfare	352,698,453	324,308,118
Other benefits	163,248,668	123,463,742
Total	10,775,510,804	7,202,881,554

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain ratios of salaries. The Group has no other material obligations of payment for retirement benefits to its employees beyond the annual contributions described above.

## 14. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

Name	Year ended 31 December 2020				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme	Total remuneration
		in kind		contributions	
<b>Executive Director</b>					
Bi Mingjian (iv)	–	274,978	–	5,656	280,634
Huang Zhaohui (ii) (iii)	–	822,742	7,674,362	69,157	8,566,261
<b>Non-executive Director</b>					
Shen Rujun (vi)	–	–	–	–	–
Xiong Lianhua (iii)	–	–	–	–	–
Tan Lixia (iii)	–	–	–	–	–
Duan Wenwu (iii)	–	–	–	–	–
Zhao Haiying (iv)	–	–	–	–	–
David Bonderman (iv)	–	–	–	–	–
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (iv)	–	–	–	–	–
Cha Mou Daid Johnson (iv)	–	–	–	–	–
Huang Hao (iii) (v)	–	–	–	–	–
<b>Independent Non-executive Director</b>					
Liu Li	603,050	–	–	–	603,050
Siu Wai Keung	649,820	–	–	–	649,820
Ben Shenglin	629,554	–	–	–	629,554
Peter Hugh Nolan (iii)	494,778	–	–	–	494,778
Edwin Roca Lim (iv)	101,030	–	–	–	101,030
<b>Supervisor</b>					
Gao Tao	–	1,043,492	2,805,832	51,770	3,901,094
Jin Lizuo	309,190	–	–	–	309,190
Cui Zheng (iii)	–	–	–	–	–
Liu Haoling (iv)	–	–	–	–	–
Total	2,787,422	2,141,212	10,480,194	126,583	15,535,411

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 14. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Directors' and supervisors' remuneration is as follows: (continued)

Year ended 31 December 2020					
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
<b>Executive Director</b>					
Bi Mingjian (iv)	–	1,680,215	9,271,708	50,055	11,001,978
<b>Non-executive Director</b>					
Shen Rujun (vi)	–	–	–	–	–
Zhao Haiying (iv)	–	–	–	–	–
David Bonderman (iv)	–	–	–	–	–
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (iv)	–	–	–	–	–
Cha Mou Daid Johnson (iv)	–	–	–	–	–
<b>Independent Non-executive Director</b>					
Edwin Roca Lim (iv)	546,920	–	–	–	546,920
Siu Wai Keung	577,270	–	–	–	577,270
Ben Shenglin	517,600	–	–	–	517,600
Liu Li	532,400	–	–	–	532,400
<b>Supervisor</b>					
Gao Tao	–	1,054,940	2,539,895	98,055	3,692,890
Liu Haoling (iv)	–	–	–	–	–
Jin Lizuo	263,400	–	–	–	263,400
Total	2,437,590	2,735,155	11,811,603	148,110	17,132,458

- (i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.
- (ii) The remuneration of Mr. Huang Zhaohui includes the compensation for the services provided by Mr. Huang Zhaohui acting as the Chief Executive Officer of the Company.
- (iii) Appointed as executive Director, non-executive Director, independent non-executive Director or supervisor in February 2020. Mr. Peter Hugh Nolan donated a total of RMB150,000 to CICC Charity Foundation in 2020.
- (iv) Resigned as executive Director, non-executive Director, independent non-executive Director or supervisor in February 2020.
- (v) Resigned as non-executive Director in December 2020.
- (vi) Appointed as non-executive Director and Chairman of the Board in August 2019.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

## 15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in 2020 and 2019, one is a director whose emoluments are disclosed (see Note 14). The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2020	2019
Salaries and other emoluments	<b>14,621,320</b>	9,808,939
Discretionary bonuses	<b>71,247,114</b>	78,390,645
Retirement scheme contributions	<b>263,349</b>	307,541
Total	<b>86,131,783</b>	88,507,125

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2020	2019
From RMB15,500,001 to RMB16,000,000	<b>2</b>	–
From RMB16,000,001 to RMB16,500,000	<b>1</b>	1
From RMB17,000,001 to RMB17,500,000	–	1
From RMB17,500,001 to RMB18,000,000	–	1
From RMB18,000,001 to RMB18,500,000	–	1
From RMB18,500,001 to RMB19,000,000	<b>1</b>	–
From RMB19,000,001 to RMB19,500,000	<b>1</b>	–
From RMB19,500,001 to RMB20,000,000	–	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 16. DEPRECIATION AND AMORTISATION EXPENSES

	Year ended 31 December	
	2020	2019
Depreciation of right-of-use assets	598,536,803	562,955,633
Depreciation of property and equipment	285,280,264	258,573,159
Amortisation of intangible assets	115,811,547	90,250,322
Others	1,149,466	1,456,298
Total	1,000,778,080	913,235,412

### 17. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2020	2019
Business development expenses	712,511,530	636,645,423
Information technology related expenses	390,778,139	335,173,436
Professional service fees	217,575,762	152,286,022
Travelling and transportation expenses	210,582,323	325,239,262
Utilities and maintenance	77,217,917	78,692,034
Securities Investor Protection Fund	77,097,941	54,930,738
Lease expenses	29,823,722	57,906,991
Auditors' remuneration	12,842,024	11,424,141
Others	360,231,728	447,032,346
Total	2,088,661,086	2,099,330,393

### 18. PROVISION FOR IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2020	2019
Impairment losses provided/(reversed) for:		
Accounts receivable and other assets	572,058,918	187,940,007
Receivable from margin clients	111,960,873	18,772,123
Reverse REPOs	287,054,140	(43,196,309)
Financial assets at fair value through other comprehensive income	1,841,028	(3,369,149)
Cash and bank balances	(119,668)	(548,841)
Total	972,795,291	159,597,831



## 19. INCOME TAX EXPENSE

### (a) Taxation in the consolidated statement of profit or loss:

	Year ended 31 December	
	2020	2019
Current tax		
– Mainland China income tax	1,496,238,833	612,820,743
– Hong Kong SAR profits tax	464,232,341	299,442,863
Subtotal	1,960,471,174	912,263,606
Deferred tax		
– Origination and reversal of temporary differences	(509,928,241)	141,541,246
Total	1,450,542,933	1,053,804,852

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in mainland China during the period. Taxes on profits assessable outside mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. Reconciliation between income tax expense that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax	8,712,682,287	5,301,631,682
Income tax calculated at the PRC statutory income tax rate	2,178,170,572	1,325,407,921
Effect of non-deductible expenses	55,513,014	27,452,308
Effect of non-taxable income	(430,165,877)	(223,485,910)
Effect of different applicable tax rates of the subsidiaries	(258,185,995)	(186,059,764)
Effect of deductible temporary differences or deductible tax losses with no deferred tax asset recognised during the year	56,934,075	47,346,584
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(115,094,712)	(30,514,880)
Others	(36,628,144)	93,658,593
Total income tax expense	1,450,542,933	1,053,804,852

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 20. BASIC EARNINGS PER SHARE

	Year ended 31 December	
	2020	2019
Profit attributable to shareholders of the Company	<b>7,207,452,452</b>	4,238,719,317
Interest for holders of perpetual subordinated bonds for the year	<b>(102,564,384)</b>	(57,000,000)
Total	<b>7,104,888,068</b>	4,181,719,317
Weighted average number of ordinary shares in issue (Note)	<b>4,445,099,368</b>	4,222,001,201
Basic earnings per share (in RMB per share)	<b>1.60</b>	0.99

Note: In October 2019, the Company issued 176,000,000 new H shares at a price of HKD14.40 per share with par value of RMB1. Accordingly, the registered capital and share capital of the Company increased to RMB4,368,667,868.

In November 2020, the Company completed the issuance of 458,589,000 A Shares at a price of RMB28.78 per share with par value of RMB1 and listed on the Shanghai Stock Exchange. Accordingly, the registered capital and share capital of the Company increased to RMB4,827,256,868.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the years ended 31 December 2020 and 2019 as the Group had no potential ordinary shares in issue during the periods.

## 21. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Disposals of subsidiaries and transfer-out	-	(4,496,590)	(37,147)	(593,130)	(7,261,768)	-	(12,388,635)
Additions and transfer-in	1,391,695	216,248,401	7,830,289	360,080	66,793,587	58,823,981	351,448,033
Transfer - out	-	-	-	-	-	(28,000,836)	(28,000,836)
Disposals	-	(84,484,221)	(5,605,381)	(33,261,678)	(45,365,875)	-	(168,717,155)
Foreign currency translation differences	-	(8,112,852)	(1,055,326)	(6,595)	(9,107,529)	-	(18,282,302)
As at 31 December 2020	92,721,687	1,600,593,892	105,571,362	21,250,345	811,121,887	37,337,284	2,668,596,457
<b>Accumulated depreciation</b>							
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	-	(1,815,030,632)
Disposals of subsidiaries and transfer-out	-	3,960,597	14,859	593,130	6,958,083	-	11,526,669
Additions	(4,361,097)	(190,552,412)	(11,449,962)	(2,018,424)	(76,898,369)	-	(285,280,264)
Disposals	-	79,246,758	5,141,517	29,582,897	45,345,873	-	159,317,045
Foreign currency translation differences	-	5,047,892	20,522	6,595	4,194,040	-	9,269,049
As at 31 December 2020	(41,485,338)	(1,167,366,201)	(78,923,235)	(17,163,812)	(615,259,547)	-	(1,920,198,133)
<b>Carrying amount</b>							
As at 31 December 2020	51,236,349	433,227,691	26,648,127	4,086,533	195,862,340	37,337,284	748,398,324
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 21. PROPERTY AND EQUIPMENT (continued)

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16 Leases	–	(8,740,873)	–	–	–	–	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Acquired on acquisition of subsidiaries	–	437,762	206,550	–	–	–	644,312
Additions and transfer-in	–	227,455,811	20,334,190	283,879	150,983,636	22,172,883	421,230,399
Transfer – out	–	–	–	–	–	(21,027,999)	(21,027,999)
Disposals	–	(60,124,832)	(9,013,786)	(8,517,249)	(111,841,482)	–	(189,497,349)
Foreign currency translation differences	–	4,336,268	292,871	13,109	3,227,919	–	7,870,167
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
<b>Accumulated depreciation</b>							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Adjustment for initial application of IFRS 16 Leases	–	6,997,397	–	–	–	–	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,729,854,078)
Acquired on acquisition of subsidiaries	–	(251,055)	(106,123)	–	–	–	(357,178)
Additions	(4,360,937)	(162,310,495)	(11,104,681)	(4,437,978)	(76,359,068)	–	(258,573,159)
Disposals	–	56,547,817	7,983,255	6,127,738	110,850,875	–	181,509,685
Foreign currency translation differences	–	(3,446,652)	(442,195)	(13,109)	(3,853,946)	–	(7,755,902)
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	–	(1,815,030,632)
<b>Carrying amount</b>							
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220

## 22. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
<b>Cost</b>				
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Increases	317,109,121	–	74,410	317,183,531
Decreases	(116,914,915)	–	–	(116,914,915)
Foreign currency translation differences	(32,033,979)	–	(87,992)	(32,121,971)
As at 31 December 2020	2,192,003,536	1,266,558,879	877,867	3,459,440,282
<b>Accumulated depreciation</b>				
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Increases	(568,695,032)	(32,910,658)	(162,125)	(601,767,815)
Decreases	92,838,106	–	–	92,838,106
Foreign currency translation differences	8,767,756	–	58,773	8,826,529
As at 31 December 2020	(1,002,613,003)	(184,821,786)	(453,157)	(1,187,887,946)
<b>Carrying amount</b>				
As at 31 December 2020	1,189,390,533	1,081,737,093	424,710	2,271,552,336
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to leases of low-value assets, short-term leases and other leases with lease terms end within 12 months for the year				29,823,722
Total cash outflow for leases for the year				634,214,025

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 22. RIGHT-OF-USE ASSETS (continued)

	Buildings	Leasehold land	Equipment	Total
<b>Cost</b>				
As at 1 January 2019	1,597,467,973	1,266,558,879	1,878,786	2,865,905,638
Increases	434,674,329	–	899,021	435,573,350
Decreases	(20,356,964)	–	(1,938,443)	(22,295,407)
Foreign currency translation differences	12,057,971	–	52,085	12,110,056
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
<b>Accumulated depreciation</b>				
As at 1 January 2019	–	(119,000,470)	–	(119,000,470)
Increases	(529,574,219)	(32,910,658)	(470,756)	(562,955,633)
Decreases	4,047,432	–	140,836	4,188,268
Foreign currency translation differences	(9,997,046)	–	(19,885)	(10,016,931)
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
<b>Carrying amount</b>				
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months for the year				57,906,991
Total cash outflow for leases for the year				670,930,219

#### (a) Leases committed

As at 31 December 2020, the Group entered into new leases that are not yet commenced, with average non-cancellable period ranged from 2 to 5 years (31 December 2019: from 1 to 5 years) and extension options. The total future undiscounted cash flows over the non-cancellable period amounted to RMB181,981,193 (31 December 2019: RMB46,513,649).

Details of the lease maturity analysis of lease liabilities are disclosed in Note 58(b).

## 23. GOODWILL

### (a) Changes in goodwill

	Year ended 31 December	
	2020	2019
At the beginning of the year	1,582,678,646	1,582,678,646
Additions for the year	–	–
Subtotal	1,582,678,646	1,582,678,646
Less: Impairment loss allowance	–	–
Carrying amount	1,582,678,646	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid, as the cost of the acquisition, the consideration of RMB16,700,695,000 in the form of share issuance. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

### (b) Impairment test

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilising strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the cash-generating unit ("CGU") of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU's past performance and management's expectations for market development) approved by the management covering a certain period, cash flows beyond the certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Pre-tax discount rates used by the Group range from 16.9% to 18.9% (31 December 2019: 16.0% – 17.0%).

As at 31 December 2020 and 31 December 2019, the Group performed annual goodwill impairment test. There was no impairment recognised for the goodwill related to the aforesaid CGU since the recoverable amounts were greater than its carrying amount.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 24. INTANGIBLE ASSETS

	Securities trading seat rights	Others (Note)	Total
<b>Cost</b>			
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Disposals of subsidiaries and transfer-out	(885,930)	(1,553,999)	(2,439,929)
Additions	–	142,967,169	142,967,169
Disposals	–	(3,926,177)	(3,926,177)
Foreign currency translation differences	(9,850)	(44,348)	(54,198)
As at 31 December 2020	163,112,847	603,671,526	766,784,373
<b>Accumulated amortisation</b>			
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Disposals of subsidiaries and transfer-out	–	1,520,400	1,520,400
Additions	(8,597,500)	(107,214,047)	(115,811,547)
Disposals	–	3,445,863	3,445,863
Foreign currency translation differences	–	17,736	17,736
As at 31 December 2020	(109,487,844)	(346,476,553)	(455,964,397)
<b>Carrying amount</b>			
As at 31 December 2020	53,625,003	257,194,973	310,819,976
As at 31 December 2019	63,118,283	221,982,376	285,100,659



**24. INTANGIBLE ASSETS** *(continued)*

	Securities trading seat rights	Others (Note)	Total
<b>Cost</b>			
As at 31 December 2018	163,989,047	363,140,177	527,129,224
Additions	–	103,110,556	103,110,556
Disposals	–	(56,197)	(56,197)
Foreign currency translation differences	19,580	34,345	53,925
As at 31 December 2019	164,008,627	466,228,881	630,237,508
<b>Accumulated amortisation</b>			
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(8,483,824)	(81,766,498)	(90,250,322)
Disposals	–	49,968	49,968
Foreign currency translation differences	–	(32,914)	(32,914)
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
<b>Carrying amount</b>			
As at 31 December 2019	63,118,283	221,982,376	285,100,659
As at 31 December 2018	71,582,527	200,643,116	272,225,643

Note: As at 31 December 2020 and 2019, others mainly included computer software used by the Group.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 25. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2020	2019
Share of net assets		
– Associates	<b>610,484,204</b>	624,355,553
– Joint ventures	<b>578,368,662</b>	544,121,104
Total	<b>1,188,852,866</b>	1,168,476,657

The following list contains only the particulars of the major associate and joint venture which are unlisted corporate entities of which quoted market prices are not available:

Name of an associate	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Zheshang Jinhui Trust Co., Ltd. ("Zheshang Jinhui") (Note 1)	Incorporated	Hangzhou, PRC	RMB1,700,000,000	17.5%	17.5%	–	Trust business

Name of a joint venture	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Jinteng Technology Information (Shenzhen) Co., Ltd. ("Jinteng Technology") (Note 2)	Incorporated	Shenzhen, PRC	RMB500,000,000	51.0%	51.0%	–	Information technology services

Note 1: The Company holds 17.5% equity interest of Zheshang Jinhui but has significant influence over Zheshang Jinhui as it can appoint members in Zheshang Jinhui's Board of Directors. Zheshang Jinhui is accounted for as an associate of the Company.

Note 2: The Company holds 51.0% equity interest of Jinteng Technology and jointly controls Jinteng Technology with a third party according to the contractual arrangement. Jinteng Technology is accounted for as a joint venture of the Company.

**25. INTERESTS IN ASSOCIATES AND JOINT VENTURES** *(continued)*

A summary of financial information of the Group's associates and joint ventures is presented below:

**(a) Zheshang Jinhui**

	Year ended 31 December	
	2020	2019
Financial information of the associate		
– Assets	<b>2,681,511,107</b>	2,501,050,258
– Liabilities	<b>400,057,759</b>	325,549,983
– Net assets	<b>2,281,453,348</b>	2,175,500,275
– Operating income	<b>509,623,208</b>	750,962,871
– Net profit	<b>105,924,119</b>	105,826,347
Reconciled to the Group's interests in the associate:		
Group's effective interest	<b>17.5%</b>	17.5%
Group's share of net assets of the associate	<b>399,254,336</b>	380,712,548
Carrying amount in the consolidated financial statements	<b>399,254,336</b>	380,712,548

**(b) Jinteng Technology**

	Year ended 31 December 2020
Financial information of the joint venture	
– Assets	<b>185,800,654</b>
– Liabilities	<b>63,532,985</b>
– Net assets	<b>122,267,669</b>
– Operating income	–
– Net profit	<b>(77,732,331)</b>
Reconciled to the Group's interests in the joint venture:	
Group's effective interest	<b>51.0%</b>
Group's share of net assets of the joint venture	<b>62,356,511</b>
Carrying amount in the consolidated financial statements	<b>62,356,511</b>

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 25. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

#### (c) Other associates and joint ventures:

	Year ended 31 December	
	2020	2019
Aggregate carrying amount of Group's interests in other associates and joint ventures in the consolidated financial statements	727,242,019	787,764,109
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	(11,690,273)	42,399,835
– Total comprehensive income	(11,586,995)	42,296,557

### 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Non-current

	As at 31 December	
	2020	2019
Equity securities	6,709,361,710	3,685,728,809
Funds and other investments	–	33,878,466
Total	6,709,361,710	3,719,607,275

#### Current

	As at 31 December	
	2020	2019
Equity securities	104,210,837,992	66,003,797,677
Debt securities (Note)	80,814,486,684	76,130,839,312
Funds and other investments	55,871,011,259	22,337,649,857
Total	240,896,335,935	164,472,286,846

Note: As at 31 December 2020, the perpetual bonds included in debt securities amounted to RMB13,646,545,485 (31 December 2019: RMB14,055,982,894).

## 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS")

### (a) Analysed by collateral type:

#### Non-current

	As at 31 December	
	2020	2019
Stocks	886,465,533	235,314,895
Accrued interests	18,705,684	6,374,726
Less: Impairment loss allowance	(2,984,859)	(81,343)
Total	902,186,358	241,608,278

#### Current

	As at 31 December	
	2020	2019
Stocks	8,697,855,495	7,329,305,168
Debt securities	8,987,319,233	6,641,075,887
Subtotal	17,685,174,728	13,970,381,055
Accrued interests	142,967,983	117,464,377
Less: Impairment loss allowance	(299,631,921)	(30,516,797)
Total	17,528,510,790	14,057,328,635

### (b) Analysed by market:

#### Non-current

	As at 31 December	
	2020	2019
Stock exchanges	550,856,785	65,050,591
Over-the-counter market	351,329,573	176,557,687
Total	902,186,358	241,608,278

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS") (continued)

#### (b) Analysed by market: (continued)

##### Current

	As at 31 December	
	2020	2019
Stock exchanges	15,465,920,946	13,150,771,156
Inter-bank market	1,727,510,775	260,264,802
Over-the-counter market	335,079,069	646,292,677
Total	17,528,510,790	14,057,328,635

The Group receives securities as collateral in connection with reverse REPO business. The Group is allowed to sell or re-pledge the collaterals held in connection with debt securities outright REPO business in the absence of default of its counterparties. If the securities depreciate in value, the Group may, in certain circumstances, require additional collaterals. The Group has an obligation to return the collaterals to its counterparties at the expiration of the agreements.

As at 31 December 2020, the collateral received by the Group in connection with reverse REPO business amounted to RMB43,423,699,202 (31 December 2019: RMB30,326,890,225).

### 28. REFUNDABLE DEPOSITS

	As at 31 December	
	2020	2019
Self-owned refundable deposits	8,107,621,610	4,060,476,945
Refundable deposits held on behalf of clients	3,660,152,256	2,441,292,572
Subtotal	11,767,773,866	6,501,769,517
Accrued interests	550,069	324,337
Total	11,768,323,935	6,502,093,854

Refundable deposits are mainly placed at stock exchanges and clearinghouse, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

## 29. DEFERRED TAX ASSETS/(LIABILITIES)

### (a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	As at 1 January 2020	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2020		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	830,304,832	457,384,927	–	(751,006)	1,286,938,753	1,286,938,753	–
Deductible tax losses	33,729,748	34,680,521	–	(3,361,865)	65,048,404	65,048,404	–
Depreciation and amortisation	(30,173,159)	429,382	–	(55,199)	(29,798,976)	1,709,895	(31,508,871)
Changes in fair values of financial instruments at fair value through profit or loss	(78,058,586)	(204,197,972)	–	121,725	(282,134,833)	225,082,043	(507,216,876)
Changes in fair values of financial assets at fair value through other comprehensive income	(53,438,968)	–	48,518,724	124,621	(4,795,623)	7,288,066	(12,083,689)
Fair value adjustment arising from acquisition of a subsidiary	(174,993,509)	7,799,123	–	–	(167,194,386)	–	(167,194,386)
Others	201,186,197	213,832,260	(474,066)	(1,661,030)	412,883,361	429,188,090	(16,304,729)
Subtotal	728,556,555	509,928,241	48,044,658	(5,582,754)	1,280,946,700	2,015,255,251	(734,308,551)
Set off						(227,640,886)	227,640,886
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position						1,787,614,365	(506,667,665)

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 29. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

#### (a) Deferred tax assets and liabilities recognised (continued)

	As at 1 January 2019	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2019		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	1,085,463,782	(255,253,554)	–	94,604	830,304,832	830,304,832	–
Deductible tax losses	29,868,168	3,543,610	–	317,970	33,729,748	33,729,748	–
Depreciation and amortisation	(22,681,482)	(7,542,853)	–	51,176	(30,173,159)	2,306,935	(32,480,094)
Changes in fair values of financial instruments							
at fair value through profit or loss	(216,202,730)	134,633,916	–	3,510,228	(78,058,586)	101,798,257	(179,856,843)
Changes in fair values of financial assets							
at fair value through							
other comprehensive income	(35,189,455)	–	(16,773,661)	(1,475,852)	(53,438,968)	–	(53,438,968)
Fair value adjustment arising from							
acquisition of a subsidiary	(182,718,694)	7,725,185	–	–	(174,993,509)	–	(174,993,509)
Others	227,592,044	(24,647,550)	377,587	(2,135,884)	201,186,197	224,993,007	(23,806,810)
Subtotal	886,131,633	(141,541,246)	(16,396,074)	362,242	728,556,555	1,193,132,779	(464,576,224)
Set off						(103,187,047)	103,187,047
Deferred tax assets/(liabilities) recognised							
in the consolidated statement of financial							
position						1,089,945,732	(361,389,177)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.



**29. DEFERRED TAX ASSETS/(LIABILITIES)** *(continued)***(b) Deferred tax assets not recognised**

As at 31 December 2020, the Group has deductible temporary differences and cumulative unused tax losses of RMB1,505 million (31 December 2019: RMB1,436 million). No deferred tax asset has been recognised in relation to such deductible temporary difference and cumulative unused tax losses.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

**30. OTHER NON-CURRENT ASSETS**

	As at 31 December	
	2020	2019
Rental and other deposits	150,211,057	149,502,348
Others	528,831,735	1,182,702,966
Subtotal	679,042,792	1,332,205,314
Less: Impairment loss allowance	(168,077,738)	(16,605,515)
Total	510,965,054	1,315,599,799

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 31. ACCOUNTS RECEIVABLE

#### (a) Analysed by nature:

	As at 31 December	
	2020	2019
Trade receivable (Note)	<b>41,104,785,042</b>	15,311,390,897
Asset management fees receivable	<b>1,310,345,227</b>	1,440,190,809
Underwriting and advisory fees receivable	<b>1,296,068,783</b>	1,105,783,772
Trading seat rental fees receivable	<b>195,405,526</b>	137,142,963
Others	<b>212,101,324</b>	115,351,950
Subtotal	<b>44,118,705,902</b>	18,109,860,391
Less: Impairment loss allowance	<b>(624,931,217)</b>	(233,301,015)
Total	<b>43,493,774,685</b>	17,876,559,376

Note: Trade receivable mainly consisted of receivables from clearinghouse and brokers for trade settlements and from counterparties in derivative transactions and deposits for securities-based lending.

#### (b) Analysed by aging:

	As at 31 December 2020			
	Gross amount		Impairment loss allowance	
	Amount	%	Amount	%
Within 1 year (inclusive)	<b>42,357,168,020</b>	<b>96.00%</b>	<b>(206,675,937)</b>	<b>33.08%</b>
1 – 2 years (inclusive)	<b>1,317,021,385</b>	<b>2.99%</b>	<b>(197,759,198)</b>	<b>31.64%</b>
2 – 3 years (inclusive)	<b>141,947,812</b>	<b>0.32%</b>	<b>(94,563,609)</b>	<b>15.13%</b>
More than 3 years	<b>302,568,685</b>	<b>0.69%</b>	<b>(125,932,473)</b>	<b>20.15%</b>
Total	<b>44,118,705,902</b>	<b>100.00%</b>	<b>(624,931,217)</b>	<b>100.00%</b>

	As at 31 December 2019			
	Gross amount		Impairment loss allowance	
	Amount	%	Amount	%
Within 1 year (inclusive)	17,173,548,745	94.83%	(117,707,701)	50.45%
1 – 2 years (inclusive)	494,208,241	2.73%	(65,141,935)	27.92%
2 – 3 years (inclusive)	198,795,635	1.10%	(23,087,909)	9.90%
More than 3 years	243,307,770	1.34%	(27,363,470)	11.73%
Total	18,109,860,391	100.00%	(233,301,015)	100.00%

## 32. RECEIVABLE FROM MARGIN CLIENTS

### (a) Analysed by nature:

	As at 31 December	
	2020	2019
Individuals	29,229,190,952	20,190,212,792
Institutions	4,110,732,871	2,556,491,253
Subtotal	33,339,923,823	22,746,704,045
Accrued interests	681,692,892	486,198,955
Less: Impairment loss allowance	(136,803,436)	(42,952,110)
Total	33,884,813,279	23,189,950,890

As at 31 December 2019, the principal amount of receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB2.00 billion. The securitisation vehicle issued asset-backed securities to investors with the receivable from margin clients as the underlying assets. All subordinated tranches of the asset-backed securities were held by the Group. The securitisation vehicle had expired on 21 November 2020.

### (b) Analysed by fair value of collaterals:

	As at 31 December	
	2020	2019
Stocks	102,655,533,418	65,923,431,986
Cash	4,629,138,045	2,191,069,017
Funds	5,758,757,056	312,290,301
Debt securities	116,697,735	69,326,087
Total	113,160,126,254	68,496,117,391

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 33. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### (a) Analysed by type:

	As at 31 December	
	2020	2019
At fair value		
– Debt securities	37,212,187,524	28,985,823,339

#### (b) Analysed by listing status:

	As at 31 December	
	2020	2019
Listed		
– In Hong Kong, China	2,071,334,212	2,913,953,460
– Outside Hong Kong, China	35,140,853,312	26,062,869,879
Unlisted	–	9,000,000
Total	37,212,187,524	28,985,823,339

**34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

	As at 31 December 2020		
	Notional amount	Fair value Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	9,590,000,000	147,610,386	–
Non-hedging instruments			
– Interest rate contracts	405,563,762,807	610,719,055	(666,826,709)
– Currency contracts	122,152,208,668	1,925,466,923	(3,427,667,304)
– Equity contracts	301,153,269,581	9,045,945,509	(20,693,731,679)
– Credit contracts	1,228,896,500	10,146,455	(10,762,169)
– Other contracts (Note)	54,619,624,733	609,631,600	(585,781,254)
Total	894,307,762,289	12,349,519,928	(25,384,769,115)
Less: Settlement		(38,256,092)	702,234,478
Net position		12,311,263,836	(24,682,534,637)

	As at 31 December 2019		
	Notional amount	Fair value Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	24,640,000,000	288,002,265	–
Non-hedging instruments			
– Interest rate contracts	70,954,087,992	270,908,718	(326,465,411)
– Currency contracts	38,246,090,870	209,882,716	(351,243,297)
– Equity contracts	120,463,872,756	3,237,022,236	(5,302,698,832)
– Credit contracts	740,682,000	2,283,489	(13,182,890)
– Other contracts (Note)	22,904,072,395	555,934,539	(370,985,627)
Total	277,948,806,013	4,564,033,963	(6,364,576,057)
Less: Settlement		(61,829,705)	2,384,056
Net position		4,502,204,258	(6,362,192,001)

Note: Other contracts mainly include commodity options and commodity futures.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

The notional amount of derivative financial instruments represents the volume of transactions that has not been completed but does not reflect the risk undertaken by the Group.

Under the arrangement of daily mark-to-market settlement, gains and losses of the Group's positions in futures contracts in mainland China are settled daily and the corresponding accounts receivables and payables are reflected in "deposits with clearinghouses". As a result, the Group did not hold any net position of the contracts as at 31 December 2020 and 31 December 2019.

As at 31 December 2020, the positive fair value of the unexpired commodity futures contracts and treasury bond futures contracts held by the Group amounted to RMB38,256,092 (31 December 2019: the positive fair value of the unexpired commodity futures contracts and stock index futures contracts held by the Group is RMB61,829,705); the negative fair value of the unexpired stock index futures contracts held by the Group amounted to RMB702,234,478 (31 December 2019: the negative fair value of the unexpired treasury bond futures contracts held by the Group is RMB2,384,056).

#### (a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial liabilities due to movements in market interest rates. Interest rate swaps are used to hedge the interest rate risk of long-term debt securities issued.

The gains of fair value hedges are presented as follows:

	Year ended 31 December	
	2020	2019
Gains arising from fair value hedges, net:		
Interest rate contracts	3,333,399	(105,770,742)
Hedged items attributable to the hedged risk	26,865,606	159,362,265
Total	30,199,005	53,591,523

**34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)** *(continued)***(a) Hedging instruments** *(continued)*

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 31 December 2020			Total
	Less than 6 months	6 months to 12 months	More than 12 months	
Hedging instruments-interest rate contracts	1,400,000,000	2,000,000,000	6,190,000,000	9,590,000,000

	As at 31 December 2019			Total
	Less than 6 months	6 months to 12 months	More than 12 months	
Hedging instruments-interest rate contracts	6,450,000,000	8,600,000,000	9,590,000,000	24,640,000,000

Details of the Group's hedged risk exposure in fair value hedges strategy are set out below:

Long-term debt securities issued	As at 31 December	
	2020	2019
Carrying amount of hedged items	9,878,977,040	25,395,517,892
Accumulated adjustments to the fair value of hedged items	207,364,163	376,385,675

**35. CASH HELD ON BEHALF OF CLIENTS**

The Group maintains segregated deposit accounts with banks and authorised institutions to hold client monies arising from its ordinary course of business. The Group has classified their client monies as cash held on behalf of clients under current assets of the consolidated statement of financial position and recognised the corresponding current liabilities, in particular, accounts payable to brokerage clients and accounts payable to underwriting clients, on the grounds that the Group is liable for any misappropriation of their clients' monies. In mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong SAR, clients' monies are restricted and governed by the *Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance*.

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(Expressed in RMB, unless otherwise stated)

### 36. CASH AND BANK BALANCES

	As at 31 December	
	2020	2019
Cash on hand	139,386	227,924
Deposits with banks	44,082,495,955	20,448,205,535
Deposits with clearinghouses	3,006,847,606	3,463,005,629
Subtotal	47,089,482,947	23,911,439,088
Accrued interests	71,756,629	47,784,140
Less: Impairment loss allowance	(168,508)	(294,558)
Total	47,161,071,068	23,958,928,670

### 37. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
Cash on hand	139,386	227,924
Deposits with banks	44,082,495,955	20,448,205,535
Deposits with clearinghouses	3,006,847,606	3,463,005,629
Subtotal	47,089,482,947	23,911,439,088
Less: Restricted bank deposits	(427,049,392)	(813,843,832)
Total	46,662,433,555	23,097,595,256

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.



## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 1 January 2020	Cash flows	Non-cash changes			As at 31 December 2020
			(Transferred out)/ transferred in	Interests, amortisation and effect of changes in exchange rates	Fair value changes	
Short-term debt securities issued	21,240,334,869	5,727,806,168	(354,361,607)	(121,208,965)	–	26,492,570,465
Long-term debt securities issued due within one year	21,806,085,676	(22,760,594,553)	23,426,068,537	888,910,595	25,973,064	23,386,443,319
Long-term debt securities issued	57,585,268,714	69,014,734,667	(23,071,706,930)	1,110,133,930	(23,912,848)	104,614,517,533
Total liabilities arising from financing activities	100,631,689,259	51,981,946,282	–	1,877,835,560	2,060,216	154,493,531,317

	As at 1 January 2019	Cash flows	Non-cash changes			As at 31 December 2019
			(Transferred out)/ transferred in	Interests, amortisation and effect of changes in exchange rates	Fair value changes	
Short-term debt securities issued	14,061,377,785	6,576,381,766	–	602,575,318	–	21,240,334,869
Long-term debt securities issued due within one year	12,993,890,883	(10,354,722,972)	18,064,283,956	1,213,030,343	(110,396,534)	21,806,085,676
Long-term debt securities issued	48,998,790,985	24,637,441,402	(18,064,283,956)	2,064,066,909	(50,746,626)	57,585,268,714
Total liabilities arising from financing activities	76,054,059,653	20,859,100,196	–	3,879,672,570	(161,143,160)	100,631,689,259

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 39. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	5,904,122,584	33,251,717,178	39,155,839,762
Debt securities	1,066,167,906	1,542,983,452	2,609,151,358
Funds and others	1,126,558,207	–	1,126,558,207
Total	8,096,848,697	34,794,700,630	42,891,549,327

	As at 31 December 2019		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	3,067,219,649	20,673,051,510	23,740,271,159
Debt securities	833,356,562	1,963,383,218	2,796,739,780
Funds and others	33,307,915	–	33,307,915
Total	3,933,884,126	22,636,434,728	26,570,318,854

Note (1): As at 31 December 2020, there were no significant fair value changes related to the changes in the credit risk of the Group.

Note (2): The Group's financial liabilities designated at fair value through profit or loss are mainly equity instruments, and their fair values are linked to stock, index, etc.

#### 40. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2020	2019
Client deposits for brokerage trading	<b>62,030,728,369</b>	43,942,755,339
Client deposits for margin financing and securities lending	<b>8,612,779,838</b>	4,387,247,232
Subtotal	<b>70,643,508,207</b>	48,330,002,571
Accrued interests	<b>11,672,249</b>	7,869,600
Total	<b>70,655,180,456</b>	48,337,872,171

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearinghouses. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under ordinary course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

#### 41. PLACEMENTS FROM FINANCIAL INSTITUTIONS

##### (a) Analysed by funding source:

	As at 31 December	
	2020	2019
Placements from banks	<b>33,796,181,995</b>	21,025,216,615
Placements from China Securities Finance Corporation Limited	<b>200,000,000</b>	1,800,000,000
Others	<b>300,000,000</b>	1,000,000,000
Subtotal	<b>34,296,181,995</b>	23,825,216,615
Accrued interests	<b>220,232,700</b>	257,165,515
Total	<b>34,516,414,695</b>	24,082,382,130

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(Expressed in RMB, unless otherwise stated)

### 41. PLACEMENTS FROM FINANCIAL INSTITUTIONS *(continued)*

#### (b) Analysed by residual maturity:

	As at 31 December			
	2020		2019	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	18,964,291,414	0.99% – 3.50%	15,439,958,880	1.90% – 4.68%
1 – 3 months (inclusive)	4,248,025,919	1.08% – 2.99%	3,238,835,702	2.82% – 3.65%
3 months – 1 year (inclusive)	11,304,097,362	1.76% – 3.49%	5,403,587,548	2.96% – 3.44%
Total	34,516,414,695		24,082,382,130	

### 42. SHORT-TERM DEBT SECURITIES ISSUED

	Notes	As at 31 December	
		2020	2019
Beneficiary certificates	(a)	19,683,669,800	14,502,136,485
Structured notes	(b)	5,884,269,327	6,581,778,922
MTNs	(c)	803,260,708	–
Subtotal		26,371,199,835	21,083,915,407
Accrued interests:			
Beneficiary certificates		92,036,857	88,681,587
Structured notes		27,082,943	67,737,875
MTNs		2,250,830	–
Total		26,492,570,465	21,240,334,869

**42. SHORT-TERM DEBT SECURITIES ISSUED** *(continued)***(a) Beneficiary certificates:**

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued (Note)	Book value as at 31 December 2020
0.00% – 11.02%	14,590,818,072	61,155,882,718	8,707,077	(55,625,339,603)	(354,361,607)	19,775,706,657

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued	Book value as at 31 December 2019
0.00% – 10.30%	12,089,983,604	62,644,473,418	27,683,983	(60,171,322,933)	–	14,590,818,072

Note: A balance of RMB354 million was reclassified to long-term debt securities issued as result of exercising the extension right by the holders of these beneficiary certificates.

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 1.50% to 8.10% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on indices such as Shanghai & Shenzhen 300 Index and China Securities Index (CSI) 500, CSI 500 Total Return, prices of commodity products or USD index. The yield rate of such income certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 42. SHORT-TERM DEBT SECURITIES ISSUED (continued)

#### (b) Structured notes:

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
Structured notes (i)	6,649,516,797	10,529,132,195	(40,654,932)	(10,773,425,640)	(453,216,150)	5,911,352,270

Name	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
Structured notes (i)	1,971,394,181	10,350,739,565	41,197,753	(5,822,951,719)	109,137,017	6,649,516,797

(i) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum. The notes are for maturities of 11 days to 365 days.

#### (c) MTNs:

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN (i)	–	840,864,640	2,250,830	–	(37,603,932)	805,511,538

(i) The nominal interest rate of the MTN is 1.05% per annum and the maturity is 364 days.

**43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (“REPOS”)****(a) Analysed by collateral type:**

	As at 31 December	
	2020	2019
Debt securities	20,905,356,393	17,549,727,759
Others	4,165,056,959	7,111,147,291
Subtotal	25,070,413,352	24,660,875,050
Accrued interests	30,670,471	47,382,181
Total	25,101,083,823	24,708,257,231

**(b) Analysed by market:**

	As at 31 December	
	2020	2019
Inter-bank market	14,593,790,179	8,173,286,607
Stock exchanges	3,902,244,482	6,312,160,573
Over-the-counter market	6,605,049,162	10,222,810,051
Total	25,101,083,823	24,708,257,231

As at 31 December 2020, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB25,245,903,799 (31 December 2019: RMB27,941,583,967).

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(Expressed in RMB, unless otherwise stated)

### 44. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2020	2019
<b>Non-current</b>		
Salaries, bonus and allowances	<b>781,920,387</b>	636,478,779
<b>Current</b>		
Salaries, bonus and allowances	<b>7,714,334,048</b>	4,777,540,462
Retirement scheme contribution	<b>14,712,400</b>	13,313,025
Other social welfare	<b>38,179,136</b>	30,428,775
Others	<b>37,818,404</b>	22,150,764
Subtotal	<b>7,805,043,988</b>	4,843,433,026
Total	<b>8,586,964,375</b>	5,479,911,805

### 45. OTHER CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Trade payable	<b>78,737,749,542</b>	43,701,363,379
Payables to the investors of consolidated structured entities (Note 1)	<b>4,487,977,574</b>	5,083,484,895
Sundry tax payable	<b>908,722,259</b>	557,257,075
Accrued expenses	<b>787,129,102</b>	570,545,312
Accounts payable to underwriting clients	–	4,477,482,000
Others (Note 2)	<b>1,001,273,096</b>	2,567,002,962
Total	<b>85,922,851,573</b>	56,957,135,623

Note 1: For each reporting period, the consolidation scope of structured entities varies due to the addition of structured entities to which the Group is a principal or due to the liquidation of the consolidated structured entities or changes in the Group's interests therein.

Note 2: As at 31 December 2020, the Group had redeemed the securitisation vehicle (see Note 32(a)) and therefore no longer had payment obligation to other investors (31 December 2019: payment obligation RMB1.90 billion).



## 46. LONG-TERM DEBT SECURITIES ISSUED

	Notes	As at 31 December 2020	2019
Due within one year			
– Beneficiary certificates	(a)	<b>1,741,009,800</b>	1,251,000,000
– Subordinated bonds	(b)	<b>5,008,689,660</b>	999,902,118
– Corporate bonds	(c)	<b>9,830,163,597</b>	19,135,896,495
– MTNs	(d)	<b>6,520,769,369</b>	–
Subtotal		<b>23,100,632,426</b>	21,386,798,613
Due after one year			
– Beneficiary certificates	(a)	<b>1,500,000,000</b>	1,000,000,000
– Subordinated bonds	(b)	<b>19,530,109,664</b>	21,053,581,502
– Corporate bonds	(c)	<b>63,530,023,736</b>	18,362,873,397
– MTNs	(d)	<b>16,269,771,958</b>	13,915,473,546
– Financial bonds	(e)	<b>2,500,000,000</b>	2,500,000,000
Subtotal		<b>103,329,905,358</b>	56,831,928,445
Accrued interests:			
– Beneficiary certificates		<b>66,816,138</b>	48,034,692
– Subordinated bonds		<b>363,649,805</b>	354,549,037
– Corporate bonds		<b>1,045,156,424</b>	675,145,404
– MTNs		<b>63,919,194</b>	64,248,884
– Financial bonds		<b>30,881,507</b>	30,649,315
Subtotal		<b>1,570,423,068</b>	1,172,627,332
Total		<b>128,000,960,852</b>	79,391,354,390
Fair value		<b>127,825,070,661</b>	80,280,847,248

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

#### (a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 31 December 2020
2.40% – 10.50%	2,299,034,692	2,240,000,000	13,429,639	354,361,607	(1,599,000,000)	3,307,825,938

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 31 December 2019
0.00% – 10.25%	1,605,858,806	1,835,000,000	(40,024,114)	–	(1,101,800,000)	2,299,034,692

The Group has issued beneficiary certificates bearing nominal interest at:

- a fixed rate, ranging from 2.40% to 5.05% per annum; or
- a fixed rate plus a floating rate.

The floating interest rate is calculated based on the index market. The yield rate of such income certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

An investor put or issuer call is applicable for certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CCC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	-	-	-	-	3,406,855,890
16 CCC Futures (i)	16/12/2016	16/12/2024	Annually	1 <sup>st</sup> - 5 <sup>th</sup> year, 5.00%; 6 <sup>th</sup> - 8 <sup>th</sup> year, 8.00%	100,219,178	-	-	-	-	100,219,178
17 CCC C1	22/05/2017	22/05/2022	Annually	5.39%	632,674,900	-	(5,395,148)	-	(3,207,062)	624,072,690
17 CCC C2	24/07/2017	24/07/2022	Annually	4.98%	1,559,390,549	-	(12,806,812)	-	(5,189,894)	1,541,393,843
17 CCC C3	16/11/2017	16/11/2022	Annually	5.50%	1,540,393,113	-	(16,046,016)	-	(10,181,496)	1,514,165,601
18 CCC C1	20/04/2018	20/04/2023	Annually	5.30%	1,058,803,374	-	(8,452,147)	-	1,330,914	1,051,682,141
18 CCC C2	29/08/2018	29/08/2021	Annually	4.70%	1,529,206,314	-	(6,194,938)	-	(437,971)	1,522,573,405
19 CCC C1	19/04/2019	19/04/2022	Annually	4.20%	1,544,186,301	-	172,603	-	-	1,544,358,904
19 CCC C3	14/10/2019	14/10/2024	Annually	4.09%	1,512,942,329	-	168,082	-	-	1,513,110,411
19 CCC C4	11/11/2019	11/11/2024	Annually	4.12%	1,508,296,438	-	169,315	-	-	1,508,465,753
19 CCC C5	05/12/2019	05/12/2024	Annually	4.20%	2,005,753,425	-	230,137	-	-	2,005,983,562
20 CCC C1	17/02/2020	17/02/2025	Annually	3.85%	-	1,500,000,000	50,155,479	-	-	1,550,155,479
17 CSC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,041,359,653	-	(41,457,534)	(1,000,000,000)	97,881	-
17 CSC 02	23/02/2017	23/02/2022	Annually	5.00%	1,875,369,227	-	35,706	-	707,588	1,876,112,521
19 CSC C1	25/04/2019	25/04/2022	Annually	4.50%	3,092,581,966	-	(3,142,577)	-	1,894,482	3,091,333,871
20 CCC WMS C1	17/04/2020	17/04/2025	Annually	3.80%	-	2,000,000,000	51,664,618	-	301,262	2,051,965,880
Total					22,408,032,657	3,500,000,000	9,100,768	(1,000,000,000)	(14,684,296)	24,902,449,129

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (b) Subordinated bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	-	-	-	3,406,855,890
				1 <sup>st</sup> - 5 <sup>th</sup> year, 5.00%;					
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	6 <sup>th</sup> - 8 <sup>th</sup> year, 8.00%	100,219,178	-	-	-	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	(5,641,929)	-	(4,179,169)	632,674,900
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	(11,495,672)	-	(7,752,508)	1,559,390,549
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	(14,668,115)	-	(11,016,338)	1,540,393,113
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	(6,180,844)	-	(2,562,770)	1,058,803,374
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	(3,872,002)	-	(1,808,309)	1,529,206,314
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	-	44,186,301	-	-	1,544,186,301
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	-	12,942,329	-	-	1,512,942,329
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	-	8,296,438	-	-	1,508,296,438
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	-	5,753,425	-	-	2,005,753,425
16 CISC 01 (ii)	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	(6,027,397)	(2,200,000,000)	1,343,416	-
17 CISC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	-	-	655,339	1,041,359,653
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	-	-	672,589	1,875,369,227
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	-	92,581,966	-	-	3,092,581,966
Total					15,016,805,907	115,874,500	(2,200,000,000)	(24,647,750)	22,408,032,657

(i) CICC Futures Co., Ltd. has an option to redeem the bonds on 16 December 2021.

(ii) CICC Wealth Management redeemed the bonds on 9 December 2019.

(iii) CICC Wealth Management redeemed the bonds on 24 February 2020.

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CCC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	2,922,826,008	-	282,084	-	-	2,923,108,092
16 CCC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	-	-	-	-	1,015,052,877
16 CCC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	-	-	-	-	905,093,753
17 CCC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,165,686,653	-	(136,365,664)	(4,000,000,000)	(29,320,989)	-
17 CCC 02 (vii)	08/05/2017	08/05/2020	Annually	4.97%	1,032,496,932	-	(19,782,570)	(1,000,000,000)	(12,714,362)	-
17 CCC 03	08/05/2017	08/05/2022	Annually	5.19%	1,055,402,156	-	(8,917,013)	-	(6,665,303)	1,039,819,840
17 CCC 04 (viii)	27/07/2017	27/07/2020	Annually	4.78%	2,042,623,536	-	(24,900,930)	(2,000,000,000)	(17,722,606)	-
17 CCC 05 (ix)	20/10/2017	20/10/2020	Annually	5.13%	2,019,150,296	-	1,577,033	(2,000,000,000)	(20,727,329)	-
17 CCC 06 (x)	21/11/2017	21/11/2020	Annually	5.45%	2,512,752,752	-	17,466,810	(2,500,000,000)	(30,219,562)	-
18 CCC 01 (xi)	26/01/2018	26/01/2020	Annually	5.58%	1,052,245,432	-	(40,513,328)	(1,000,000,000)	(11,732,104)	-
18 CCC 02	26/01/2018	26/01/2021	Annually	5.70%	1,062,144,259	-	(2,461,455)	-	(6,195,406)	1,053,487,398
18 CCC 03 (xii)	24/04/2018	24/04/2020	Annually	4.80%	517,057,151	-	(13,576,425)	(500,000,000)	(3,480,726)	-
18 CCC 04	24/04/2018	24/04/2021	Annually	4.94%	1,041,603,234	-	(4,470,094)	-	(2,355,129)	1,034,778,011
18 CCC 05 (xiii)	28/06/2018	28/06/2020	Annually	5.20%	1,027,609,961	-	(23,003,639)	(1,000,000,000)	(4,606,322)	-
18 CCC 06	28/06/2018	28/06/2021	Annually	5.30%	1,032,202,027	-	(4,007,022)	-	(1,463,861)	1,026,731,144
19 CCC 04 (xiv)	21/11/2019	21/11/2025	Annually	3.52%	1,505,786,301	-	144,658	-	-	1,505,930,959
20 CCC F1 (xvii)	26/02/2020	26/02/2025	Annually	3.20%	-	4,000,000,000	108,361,644	-	-	4,108,361,644
20 CCC G1 (xviii)	03/04/2020	03/04/2026	Annually	2.89%	-	1,500,000,000	32,304,658	-	-	1,532,304,658
20 CCC G2 (xix)	03/04/2020	03/04/2027	Annually	3.25%	-	1,000,000,000	24,219,178	-	-	1,024,219,178
20 CCC G3 (xx)	06/05/2020	06/05/2026	Annually	2.37%	-	3,300,000,000	51,211,479	-	-	3,351,211,479
20 CCC G4 (xxi)	06/05/2020	06/05/2027	Annually	2.88%	-	700,000,000	13,200,658	-	-	713,200,658
20 CCC F2 (xxii)	28/05/2020	28/05/2025	Annually	2.95%	-	3,000,000,000	52,615,069	-	-	3,052,615,069
20 CCC G5 (xxiii)	22/06/2020	22/06/2026	Annually	3.10%	-	1,500,000,000	24,460,274	-	-	1,524,460,274
20 CCC F3 (xxiv)	24/07/2020	24/07/2025	Annually	3.80%	-	3,000,000,000	49,972,603	-	-	3,049,972,603
20 CCC 07 (xxv)	10/09/2020	10/09/2025	Annually	3.78%	-	5,000,000,000	57,476,712	-	-	5,057,476,712
20 CCC 09 (xxvi)	23/09/2020	23/09/2025	Annually	3.80%	-	5,000,000,000	51,013,699	-	-	5,051,013,699
20 CCC 11 (xxvii)	19/10/2020	19/10/2023	Annually	3.50%	-	2,500,000,000	17,500,000	-	-	2,517,500,000
20 CCC 12 (xxviii)	19/10/2020	19/10/2025	Annually	3.74%	-	2,500,000,000	18,700,000	-	-	2,518,700,000

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (c) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
20 CCC 13 (xxix)	28/10/2020	28/10/2023	Annually	3.48%	-	2,000,000,000	12,203,836	-	-	2,012,203,836
20 CCC 14 (xxx)	28/10/2020	28/10/2025	Annually	3.68%	-	3,000,000,000	19,357,808	-	-	3,019,357,808
20 CCC F4 (xxxi)	14/12/2020	14/12/2023	Annually	3.85%	-	2,500,000,000	4,482,877	-	-	2,504,482,877
20 CCC F5 (xxxi)	14/12/2020	14/12/2025	Annually	4.09%	-	2,500,000,000	4,762,329	-	-	2,504,762,329
17 CSC F1 (xv)	18/07/2017	18/07/2020	Annually	4.95%	3,067,758,196	-	(67,758,196)	(3,000,000,000)	-	-
17 CSC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,270,492	-	63,755	-	-	1,023,334,247
18 CSC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,088,333	-	126,492	-	65,924	1,046,280,749
18 CSC 02 (xvi)	03/09/2018	03/09/2020	Annually	4.72%	2,032,396,587	-	(40,027,001)	(2,000,000,000)	7,630,414	-
18 CSC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,794,862	-	38,100	-	63,769	1,013,896,731
19 CSC 01	22/04/2019	22/04/2022	Annually	4.22%	2,058,278,417	-	160,473	-	124,337	2,058,563,227
19 CCC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	3,022,595,081	-	(2,768,284)	-	650,958	3,020,477,755
20 CCC WMS G1	16/01/2020	16/01/2025	Annually	3.44%	-	2,000,000,000	65,508,630	-	85,738	2,065,594,368
20 CCC WMS F1	09/04/2020	09/04/2025	Annually	3.17%	-	3,000,000,000	69,566,301	-	-	3,069,566,301
20 CCC WMS F2	28/07/2020	28/07/2023	Annually	3.80%	-	2,000,000,000	32,690,411	-	-	2,032,690,411
20 CCC WMS G2	21/10/2020	21/10/2025	Annually	3.77%	-	2,000,000,000	14,873,425	-	-	2,014,873,425
20 CCC WMS G3	21/10/2020	21/10/2025	Annually	4.20%	-	1,000,000,000	8,284,932	-	-	1,008,284,932
20 CCC WMS G5	24/11/2020	24/11/2025	Annually	3.98%	-	1,000,000,000	4,143,562	-	-	1,004,143,562
20 CCC WMS G6	15/12/2020	15/12/2025	Annually	3.85%	-	1,000,000,000	1,793,151	-	-	1,001,793,151
Total					38,173,915,296	55,000,000,000	370,011,020	(19,000,000,000)	(138,582,559)	74,405,343,757

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (c) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CCC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	3,041,040,822	-	5,785,186	(124,000,000)	-	2,922,826,008
16 CCC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	-	-	-	-	1,015,052,877
16 CCC 03 (iii)	27/10/2016	27/10/2019	Annually	2.95%	1,105,867,671	-	(5,867,671)	(1,100,000,000)	-	-
16 CCC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	-	-	-	-	905,093,753
16 CCC 05 (v)	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	-	(1,232,877)	(2,000,000,000)	-	-
17 CCC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	-	(18,749,670)	-	(23,948,519)	4,165,686,653
17 CCC 02 (vii)	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	-	(4,359,391)	-	(11,867,086)	1,032,496,932
17 CCC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	-	(9,890,186)	-	(9,358,161)	1,055,402,156
17 CCC 04 (viii)	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	-	(10,236,244)	-	(16,589,178)	2,042,623,536
17 CCC 05 (ix)	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	-	(13,625,576)	-	(18,018,097)	2,019,150,296
17 CCC 06 (x)	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	-	(18,368,472)	-	(22,601,548)	2,512,752,752
18 CCC 01 (xi)	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	-	(5,525,618)	-	(7,619,725)	1,052,245,432
18 CCC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	-	(7,678,786)	-	(7,573,900)	1,062,144,259
18 CCC 03 (xii)	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	-	(2,072,183)	-	(3,255,212)	517,057,151
18 CCC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	-	(5,853,981)	-	(4,184,734)	1,041,603,234
18 CCC 05 (xiii)	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	-	(2,831,105)	-	(2,693,790)	1,027,609,961
18 CCC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	-	(3,669,400)	-	(2,310,735)	1,032,202,027
19 CCC 04 (xiv)	21/11/2019	21/11/2025	Annually	3.52%	-	1,500,000,000	5,786,301	-	-	1,505,786,301
17 CSC F1 (xv)	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	-	(185,639)	-	-	3,067,758,196
17 CSC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	-	(63,755)	-	-	1,023,270,492
18 CSC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	-	(126,491)	-	61,858	1,046,088,333
18 CSC 02 (xvi)	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	-	(4,011,525)	-	(3,616,445)	2,032,396,587
18 CSC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	-	(38,100)	-	60,574	1,013,794,862
19 CSC 01	22/04/2019	22/04/2022	Annually	4.22%	-	2,000,000,000	58,572,678	-	(294,261)	2,058,278,417
19 CCC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	-	3,000,000,000	22,595,081	-	-	3,022,595,081
Total					35,053,371,679	6,500,000,000	(21,647,424)	(3,224,000,000)	(133,808,959)	38,173,915,296

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

#### (c) Corporate bonds: (continued)

- (i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. According to the Company's announcement dated on 28 June 2019, the Company announced to waive the early-redemption option, and opted to increase the nominal interest rate from 2.99% to 3.58% for the rest two years of the tenure of such bond.
- (ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (iii) The Company had an option to redeem the bonds on 27 October 2019. If the early-redemption option was not exercised, the Company would have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. The Company redeemed the bonds on 28 October 2019.
- (iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (v) The Company redeemed the bonds on 26 December 2019.
- (vi) The Company redeemed the bonds on 20 January 2020.
- (vii) The Company redeemed the bonds on 8 May 2020.
- (viii) The Company redeemed the bonds on 27 July 2020.
- (ix) The Company redeemed the bonds on 20 October 2020.
- (x) The Company redeemed the bonds on 23 November 2020.
- (xi) The Company redeemed the bonds on 3 February 2020.
- (xii) The Company redeemed the bonds on 24 April 2020.
- (xiii) The Company redeemed the bonds on 29 June 2020.
- (xiv) The Company has an option to adjust the nominal interest rate on 21 November 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xv) CICC Wealth Management redeemed the bonds on 20 July 2020.
- (xvi) CICC Wealth Management redeemed the bonds on 3 September 2020.
- (xvii) The Company has an option to adjust the nominal interest rate on 26 February 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xviii) The Company has an option to adjust the nominal interest rate on 3 April 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xix) The Company has an option to adjust the nominal interest rate on 3 April 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xx) The Company has an option to adjust the nominal interest rate on 6 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxi) The Company has an option to adjust the nominal interest rate on 6 May 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxii) The Company has an option to adjust the nominal interest rate on 28 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.



## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (c) Corporate bonds: (continued)

- (xxiii) The Company has an option to adjust the nominal interest rate on 22 June 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxiv) The Company has an option to adjust the nominal interest rate on 24 July 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxv) The Company has an option to adjust the nominal interest rate on 10 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxvi) The Company has an option to adjust the nominal interest rate on 23 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxvii) The Company has an option to adjust the nominal interest rate on 19 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxviii) The Company has an option to adjust the nominal interest rate on 19 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxix) The Company has an option to adjust the nominal interest rate on 28 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxx) The Company has an option to adjust the nominal interest rate on 28 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxi) The Company has an option to adjust the nominal interest rate on 14 December 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xxxii) The Company has an option to adjust the nominal interest rate on 14 December 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

### (d) MTNs:

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN (vi)	18/02/2020	18/02/2023	3M LIBOR plus 0.9%	-	6,982,600,000	8,722,089	-	(471,673,026)	6,519,649,063
MTN (i)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,203,319,129	-	(14,183,383)	-	(265,767,842)	3,923,367,904
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,789,214,903	-	(2,765,171)	-	(176,759,675)	2,609,690,057
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	4,892,001,713	-	(13,741,110)	-	(309,119,267)	4,569,141,336
MTN (v)	03/05/2019	03/05/2022	3.38%	2,095,186,685	-	(723,490)	-	(131,279,348)	1,963,183,847
MTN (vii)	10/08/2020	10/08/2023	1.75%	-	3,482,450,000	22,361,375	-	(235,383,061)	3,269,428,314
Total				13,979,722,430	10,465,050,000	(329,690)	-	(1,589,982,219)	22,854,460,521

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

**46. LONG-TERM DEBT SECURITIES ISSUED** (continued)**(d) MTNs:** (continued)

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	3,439,874,674	-	(11,537,818)	(3,449,400,000)	21,063,144	-
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,134,978,441	-	(3,880,840)	-	72,221,528	4,203,319,129
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,741,792,361	-	(1,258,424)	-	48,680,966	2,789,214,903
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	-	4,714,080,000	23,828,016	-	154,093,697	4,892,001,713
MTN (v)	03/05/2019	03/05/2022	3.38%	-	2,020,320,000	11,183,721	-	63,682,964	2,095,186,685
<b>Total</b>				<b>10,316,645,476</b>	<b>6,734,400,000</b>	<b>18,334,655</b>	<b>(3,449,400,000)</b>	<b>359,742,299</b>	<b>13,979,722,430</b>

(i) The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.

(ii) The principal of the notes amounts to USD600 million. The interest payment is made quarterly.

(iii) The principal of the notes amounts to USD400 million. The interest payment is made quarterly.

(iv) The principal of the notes amounts to USD700 million. The interest payment is made quarterly.

(v) The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.

(vi) The principal of the notes amounts to USD1,000 million. The interest payment is made quarterly.

(vii) The principal of the notes amounts to USD500 million. The interest payment is made semi-annually.

## 46. LONG-TERM DEBT SECURITIES ISSUED (continued)

## (e) Financial bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	2,530,649,315	-	232,192	-	-	2,530,881,507

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	-	2,500,000,000	30,649,315	-	-	2,530,649,315

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 47. LEASE LIABILITIES

	As at 31 December	
	2020	2019
Buildings	1,204,434,599	1,459,424,998
Equipment	424,673	569,530
Subtotal	1,204,859,272	1,459,994,528
Less: Amount due for settlement within 12 months shown under current liabilities	541,299,132	487,672,398
Amount due for settlement after 12 months shown under non-current liabilities	663,560,140	972,322,130

For the year ended 31 December 2020, the weighted average incremental borrowing rate applied to lease liabilities is 4.46% (For the year ended 31 December 2019: 4.80%).

### 48. CONTRACT LIABILITIES

	As at 31 December	
	2020	2019
Asset and fund management services	79,043,664	268,698,457
Investment banking services	86,228,079	70,790,978
Others	5,656,537	–
Total	170,928,280	339,489,435

Contract liabilities mainly included advanced receipts from clients for assets and fund management services and investment banking services. The corresponding revenue for these services would be recognised when the Group fulfilled its obligations. The Group anticipated to meet most of the obligations within the next 12 months.

### 49. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Deferred income	146,982,000	146,982,000
Long-term borrowings	10,200,000	10,200,000
Total	157,182,000	157,182,000

## 50. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2020	2019
Ordinary shares of RMB1 each, issued and fully paid		
A shares	<b>2,923,542,440</b>	2,464,953,440
H shares	<b>1,903,714,428</b>	1,903,714,428
Total	<b>4,827,256,868</b>	4,368,667,868
Share capital		
A shares	<b>2,923,542,440</b>	2,464,953,440
H shares	<b>1,903,714,428</b>	1,903,714,428
Total	<b>4,827,256,868</b>	4,368,667,868

On 24 October 2019, the Company issued 176,000,000 new H shares with par value of RMB1 at a price of HKD14.40 per share. Accordingly, the registered capital of the Company increased to RMB4,368,667,868 and the total number of shares of the Company increased to 4,368,667,868 shares, including 2,464,953,440 domestic shares and 1,903,714,428 H shares.

On 2 November 2020, the Company completed the issuance of 458,589,000 A Shares at a price of RMB28.78 per share with par value of RMB1 and listed on the Shanghai Stock Exchange. Accordingly, the registered capital of the Company increased to RMB4,827,256,868 and the total number of shares of the Company increased to 4,827,256,868 shares, including 2,923,542,440 domestic shares and 1,903,714,428 H shares.

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 in issue confer identical right in respect of the Company's residual assets.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 50. CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (b) Reserves

##### (i) Capital reserve

##### *The Group*

	As at 31 December	
	2020	2019
Share premium (Note 1)	39,458,384,639	26,884,912,147
Others (Note 2)	74,888,340	46,734,828
Total	39,533,272,979	26,931,646,975

##### *The Company*

	As at 31 December	
	2020	2019
Share premium (Note 1)	41,677,969,578	29,104,497,086
Others	21,708,921	21,708,921
Total	41,699,678,499	29,126,206,007

Note 1: The premium arising from the Company's share issuance (see Note 50(a)), net of expenses which met the capitalisation criteria, was recorded in share premium.

Note 2: Change in the year arising from the acquisition of 20% of non-controlling interests in CISC Tianqi Futures Co., Ltd. by the Company's wholly-owned subsidiary, CICC Wealth Management, in 2020.

##### (ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. According to the Accounting Standards for Business Enterprises issued by the MOF and other relevant requirements, the Company is required to appropriate 10% of its net profit, after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

The Company makes the appropriation to surplus reserve at the end of each year.

## 50. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

### **(b) Reserves** *(continued)*

#### **(iii) General reserves**

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Cai Jin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accrual could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds under custody at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Guidelines for the Large Collective Asset Management Business of Securities Companies on implementing the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management accrued risk reserves for large collective asset management business in accordance with relevant regulations on mutual funds.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

#### **(iv) Investment revaluation reserve**

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

#### **(v) Foreign currency translation reserve**

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 50. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

#### (c) Dividends

On 30 March 2021, the 2020 profit distribution plan was approved by the Board of Directors. For details, please refer to Note 63(e).

The Company did not declare any final dividends for 2019 in accordance with the 2019 profit distribution plan approved by the Annual General Meeting on 15 May 2020.

Dividends proposed by the directors are not deducted from equity, until approved by the Annual General Meeting. After being approved and declared, the dividends are recognised as a liability.

### 51. OTHER EQUITY INSTRUMENTS

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity at the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit distribution. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

The interest rate of the perpetual subordinated bond is determined as follows:

- The bond bears at a fixed interest rate;
- The nominal interest rate of the first five interest-bearing years is determined by book building and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

- (a) The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015.

On 29 May 2020, the Company exercised the issuer early-redemption option for the 2015 perpetual subordinated bonds to redeem all of the perpetual subordinated bonds that had been registered as at the redemption registration date.

The perpetual subordinated bonds with a total principal of RMB1,000,000,000 were redeemed this time, with a total interest of RMB57,000,000 for the 5th interest-bearing year. The redemption proceeds were paid on 29 May 2020.

- (b) The Company issued its 2020 perpetual subordinated bonds with a total principal amount of RMB5 billion on 28 August 2020.



## 52. COMMITMENTS

### (a) Capital commitments

As at 31 December 2020 and 31 December 2019, the capital commitments contracted but not provided for in the financial statements were as follows:

	As at 31 December	
	2020	2019
Contracted, but not provided for	2,703,292,134	2,756,949,559

### (b) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 31 December 2020 was RMB600,200,820 for the Group (31 December 2019: nil).

## 53. INTERESTS IN STRUCTURED ENTITIES

### (a) Interests in structured entities consolidated by the Group

For structured entities in which the Group is involved as manager or investor, the Group assesses the magnitude of and variability associated with its economic interests generated from these structured entities. A significant magnitude of and variability associated with its economic interests indicate that the Group is a principal.

As at 31 December 2020, the total assets of the consolidated structured entities amounted to RMB50,849,501,747 (31 December 2019: RMB22,643,139,472), and the carrying amount of interests held by the Group in the consolidated structured entities amounted to RMB23,704,298,145 (31 December 2019: RMB7,946,520,862).

### (b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

	As at 31 December	
	2020	2019
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	92,373,416,588	59,215,114,396
– Financial assets at fair value through other comprehensive income	9,097,634	24,833,283

The Group's exposure to the variable returns in these structured entities is not significant and the maximum exposure to losses is limited to the carrying amount of the interests held by the Group in these structured entities.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53. INTERESTS IN STRUCTURED ENTITIES *(continued)*

#### (c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities in which the Group serves as general partner or manager, and therefore over which the Group has a power during the years include private equity funds, mutual funds and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2020	2019
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	<b>9,198,529,370</b>	7,272,348,899
– Accounts receivable	<b>1,310,345,227</b>	1,440,190,809
– Interests in associates and joint ventures	<b>300,388,852</b>	325,383,470

For the year ended 31 December 2020, the management fee and performance fee obtained from these structured entities amounted to RMB2,796,022,145 (31 December 2019: RMB2,001,492,975).

Except for those which have been consolidated by the Group as set out in Note 53(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to losses is limited to the carrying amount of the interests held by the Group in these structured entities.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

## 54. TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

### (a) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a financial asset and simultaneously agrees to repurchase it (or an asset that is substantially the same) at an agreed date and price. The repurchase price is fixed and the Group is still exposed to substantially all risks and rewards of the financial asset transferred. The financial asset is not derecognised from the consolidated financial statements but is regarded as “collateral” for any secured borrowing arrangements because the Group retain substantially all the risks and rewards of the financial asset. A financial liability is recognised for cash received under the borrowing arrangements. In this kind of transactions, the recourse of counterparties against the Group is not limited to the transferred financial assets.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2020	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	5,099,766,101	6,732,254,007	11,832,020,108
Carrying amount of associated liabilities	(4,463,883,709)	(6,214,172,105)	(10,678,055,814)
Net position	635,882,392	518,081,902	1,153,964,294

As at 31 December 2019	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	8,704,043,049	3,102,307,869	11,806,350,918
Carrying amount of associated liabilities	(7,712,205,571)	(2,696,954,807)	(10,409,160,378)
Net position	991,837,478	405,353,062	1,397,190,540

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 54. TRANSFERS OF FINANCIAL ASSETS *(continued)*

#### (b) Securities lending arrangement

The Group enters into securities lending agreements with clients under which it lend out its financial assets measured at fair value through profit or loss that are secured by clients' securities and deposits held as collateral. As at 31 December 2020, the equity securities and ETFs which were lent out by the Group amounted to RMB2,931,885,022 (31 December 2019: RMB204,977,805). Pursuant to the securities lending agreements, the Group lent its own securities to clients. In view of this, the Group determined that it retains substantially all the risks and rewards of ownership of these securities and therefore did not derecognise these securities in the consolidated financial statements.

#### (c) Asset securitisation of receivable from margin clients

The transfer of financial assets used as underlying assets for the securitisation of receivable from margin clients was disclosed in Note 32(a). This transfer was not qualified for de-recognition.

### 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (a) The largest shareholder of the Company – Huijin

As at 31 December 2020, Huijin owned 40.17% of the equity interest of the Company (31 December 2019: 44.38%) directly and indirectly.

In October 2019, the Company issued 176,000,000 new H shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868 (see Note 50(a)). Accordingly, the equity interest held directly by Huijin decreased to 44.32%.

In November 2020, the Company completed the issuance of 458,589,000 A Shares and listed on the Shanghai Stock Exchange. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,827,256,868 (see Note 50(a)). Accordingly, the equity interest held directly by Huijin decreased to 40.11%.

#### (i) Related party transactions with Huijin and Huijin's affiliates

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

**55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***(a) The largest shareholder of the Company – Huijin** *(continued)***(i) Related party transactions with Huijin and Huijin's affiliates** *(continued)*

	Year ended 31 December	
	2020	2019
Brokerage commission income	16,725,271	6,034,143
Underwriting and sponsoring fees	78,441,988	73,646,600
Asset management fees	1,064,125	1,422,386
Investment advisory fees	–	462,508
Interest income	866,345,958	615,378,578
Net gains from financial instruments at fair value through profit or loss	56,611,061	108,331,023
Net gains from derivative financial instruments	181,895,569	28,398,742
Other (losses)/income, net	(703,901)	988,174
Brokerage commission expenses	45,978,789	8,831,438
Underwriting and sponsoring expenses	–	5,683,333
Asset management expenses	35,599,752	32,066,815
Interest expenses	322,950,675	446,616,865
Other operating expenses and costs	8,308,280	30,515,219

**(ii) The balances of transactions with Huijin and Huijin's affiliates**

	As at 31 December	
	2020	2019
Accounts receivable	892,335,688	40,015,099
Financial assets at fair value through other comprehensive income	4,486,800,088	760,381,815
Financial assets at fair value through profit or loss	3,558,032,591	3,211,657,414
Refundable deposits	40,442,798	2,618,691
Derivative financial assets	929,893,328	71,099,866
Cash and bank balances (Note)	44,011,197,862	35,688,717,007
Other non-current assets	930,481	–
Financial liabilities at fair value through profit or loss	269,373,752	–
Derivative financial liabilities	965,555,551	26,301,154
Accounts payable to brokerage clients	32,030,997	8,026,660
Placements from financial institutions	10,490,809,695	5,563,531,463
REPOs	4,228,739,184	–
Short-term debt securities issued	25,245,000	–
Long-term debt securities issued	1,536,168,603	2,534,768,818
Other current liabilities	1,298,816,638	65,755,852

Note: Balances of deposits at Huijin's affiliates include self-owned cash and bank balances and cash held on behalf of clients.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### (b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives. Remuneration for key management personnel of the Group is as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and benefits in kind	32,150,429	36,986,128
Discretionary bonuses (Note)	135,243,190	161,813,504
Retirement scheme contributions	869,714	1,140,110
Total	168,263,333	199,939,742

Note: Total remuneration of key management personnel is included in "staff costs" (see Note 13).

#### (c) Related party transactions with other shareholders

##### (i) Related party transactions with other shareholders

	Year ended 31 December	
	2020	2019
Brokerage commission income	12,954	57,502
Underwriting and sponsoring fees	–	5,127,236
Asset management fees	–	19,248,432
Interest expenses	7,689	213,023

##### (ii) The balances of transactions with other shareholders

	As at 31 December	
	2020	2019
Accounts payable to brokerage clients	210,514	579,180

**55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***(d) Related party transactions with the Group's associates and joint ventures****(i) Related party transactions with associates and joint ventures and their affiliates**

	Year ended 31 December	
	2020	2019
Brokerage commission income	25,113,571	9,904,144
Investment advisory fees	26,236,793	29,498,298
Asset management fees	12,074,281	11,439,457
Asset management expenses	12,462,334	82,731
Interest income	6,123,248	13,217,503
Interest expenses	27,377	27,435
Other operating expenses and costs	659,210	–
Provision for impairment losses under expected credit loss model	11,269	–

**(ii) The balances of transactions with associates and joint ventures and their affiliates**

	As at 31 December	
	2020	2019
Accounts receivable	32,211,963	16,226,219
Other non-current assets	182,958,826	310,264,313
Accounts payable to brokerage clients	905	892
Other current liabilities	12,080,000	664,792

**(e) Applicability of the Listing Rules relating to connected transactions**

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

**(f) Directors' and supervisors' interests in contracts and service contracts**

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors has entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

## Notes to the Consolidated Financial Statements

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### 56. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or for short-term financing. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value. For financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.
- (iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using discounted cash flows or other valuation techniques with reference to the yields of financial instruments with similar characteristics such as similar credit risk and maturity. The fair values of long-term debt securities issued are disclosed in Note 46. The carrying amounts of short-term debt securities issued approximate their fair values.
- (iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate their fair values.

#### (a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I: Fair value measured using only Level I inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities) at the measurement date.
- Level II: Fair value measured using Level II inputs (i.e. observable inputs which are unqualified as Level I inputs), and no significant unobservable inputs. Unobservable inputs are the inputs for which market data are not available.
- Level III: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in the valuation techniques used for Level II include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates. For the fair value of financial instruments categorised within Level III, the valuation techniques and significant unobservable inputs are disclosed in Note 56(a)(ii).



**56. FAIR VALUE INFORMATION** *(continued)***(a) Financial assets and liabilities measured at fair value** *(continued)*

The following table presents the analysis of financial instruments measured at fair value at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 31 December 2020			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	92,814,231,510	538,538,406	17,567,429,786	110,920,199,702
– Debt securities	1,210,768,017	79,171,022,879	432,695,788	80,814,486,684
– Funds and other investments	11,965,827,662	43,571,807,870	333,375,727	55,871,011,259
Derivative financial assets	836,397,586	11,474,866,250	–	12,311,263,836
Financial assets at fair value through other comprehensive income				
– Debt securities	–	37,212,187,524	–	37,212,187,524
Total	106,827,224,775	171,968,422,929	18,333,501,301	297,129,149,005
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(5,889,938,351)	(14,184,233)	–	(5,904,122,584)
– Debt securities	–	(1,066,167,906)	–	(1,066,167,906)
– Funds and others	(1,126,558,207)	–	–	(1,126,558,207)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(33,251,717,178)	–	(33,251,717,178)
– Debt securities	–	(1,542,983,452)	–	(1,542,983,452)
Derivative financial liabilities	(236,239,998)	(24,446,294,639)	–	(24,682,534,637)
Total	(7,252,736,556)	(60,321,347,408)	–	(67,574,083,964)

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 56. FAIR VALUE INFORMATION (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

	As at 31 December 2019			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	64,404,093,954	757,142,771	4,528,289,761	69,689,526,486
– Debt securities	2,579,599,611	73,222,018,204	329,221,497	76,130,839,312
– Funds and other investments	2,467,332,952	19,904,195,371	–	22,371,528,323
Derivative financial assets	86,093,900	4,416,110,358	–	4,502,204,258
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,985,823,339	–	28,985,823,339
Total	69,537,120,417	127,285,290,043	4,857,511,258	201,679,921,718
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(3,067,219,649)	–	–	(3,067,219,649)
– Debt securities	–	(833,356,562)	–	(833,356,562)
– Funds and others	(33,307,915)	–	–	(33,307,915)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(20,673,051,510)	–	(20,673,051,510)
– Debt securities	–	(1,963,383,218)	–	(1,963,383,218)
Derivative financial liabilities	(43,120,510)	(6,319,071,491)	–	(6,362,192,001)
Total	(3,143,648,074)	(29,788,862,781)	–	(32,932,510,855)

**56. FAIR VALUE INFORMATION** *(continued)***(a) Financial assets and liabilities measured at fair value** *(continued)***(i) Transfer between levels**

The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2020	2019
Financial assets at fair value through profit or loss	<b>29,534,998</b>	11,254,310

As of 31 December 2020, the Group's equity securities of RMB33 million (31 December 2019: RMB249 million) were transferred from Level I or II to Level III, as the fair values of these securities were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 31 December 2020, the Group's debt securities of RMB388 million (31 December 2019: RMB121 million) were transferred from Level II to Level III as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 31 December 2020, the Group's equity securities of RMB35 million (31 December 2019: RMB208 million) were transferred from Level III to Level I or II, as the fair values of these securities were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfers above, for the years ended 31 December 2020 and 2019, there was no other significant transfer among Level I, Level II and Level III for the Group's assets and liabilities measured at fair value. In accordance with its accounting policies, the Group recognises transfers among the levels as at the end of the reporting period in which they occur.

There is no significant change for the Group's applied fair value valuation techniques in 2020.

## Notes to the Consolidated Financial Statements

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### 56. FAIR VALUE INFORMATION (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

##### (ii) Information about Level III fair value measurements

As at 31 December 2020 and 2019, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table presents a reconciliation from the beginning balances to the ending balances of financial assets measured at Level III fair value through profit or loss:

	Financial assets at fair value through profit or loss
As at 1 January 2020	4,857,511,258
Gains for the year	1,897,406,804
Purchases	12,138,828,913
Sales and settlements	(945,940,038)
Transfer into Level III	420,628,728
Transfer out of Level III	(34,934,364)
As at 31 December 2020	18,333,501,301
Total gains for the year included in profit or loss for assets held at the end of the year	1,983,597,596
	Financial assets at fair value through profit or loss
As at 1 January 2019	2,833,294,686
Gains for the year	24,059,784
Purchases	2,247,281,576
Sales and settlements	(408,734,066)
Transfer into Level III	369,770,128
Transfer out of Level III	(208,160,850)
As at 31 December 2019	4,857,511,258
Total gains for the year included in profit or loss for assets held at the end of the year	21,235,787

## 56. FAIR VALUE INFORMATION *(continued)*

### (a) Financial assets and liabilities measured at fair value *(continued)*

#### (ii) Information about Level III fair value measurements *(continued)*

For financial instruments in Level III, fair values are determined based on the capital account reports on these instruments obtained by management or by using valuation techniques, including valuation methods such as discounted cash flow model, comparable company analysis and recent financing price method. Determinations to classify fair value measures within Level III are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level III.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	Level III	Discounted cash flow models	Discount rate (Note 1)	The higher the discount, the lower the fair value
Equity securities	Level III	Option pricing models	Historical volatility (Note 2)	The higher the volatility, the lower the fair value
Equity securities	Level III	Market comparable companies	Discount for lack of marketability (Note 3)	The higher the discount, the lower the fair value

Note 1: Discount rate, ranging from 2.47% to 3.36% (31 December 2019: 2.48% - 5.25%).

Note 2: Historical volatility, ranging from 22.57% to 90.00% (31 December 2019: 11.05% - 89.96%).

Note 3: Discount for lack of marketability is 60.00% (31 December 2019: 40.00% - 60.00%).

### (b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group. The fair values of long-term debt securities issued are classified as Level II and disclosed in Note 46.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

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(Expressed in RMB, unless otherwise stated)

### 57. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

When there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously, the relevant financial assets and liabilities:

- are offset in the consolidated statement of financial position of the Group; and
- are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in the consolidated statement of financial position of the Group.

The table below presents the amount of accounts receivable and payable on the same settlement date and for the same currency on a net basis with Hong Kong Securities Clearing Company Limited.

	As at 31 December 2020					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
				Financial		
				instruments	Cash collateral	Net amount
Accounts receivable from clearinghouse	11,301,343,002	(9,255,571,852)	2,045,771,150	(2,692,821)	–	2,043,078,329

	As at 31 December 2020					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
				Financial		
				instruments	Cash collateral	Net amount
Accounts payable to clearinghouse	9,258,264,673	(9,255,571,852)	2,692,821	(2,692,821)	–	–

**57. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES** *(continued)*

		As at 31 December 2019				
		Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
		Gross amounts of recognised financial assets		Financial instruments	Cash collateral	Net amount
Accounts receivable from clearinghouse		5,266,345,986	(5,018,720,430)	247,625,556	(239,693,344)	–
						7,932,212

		As at 31 December 2019				
		Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
		Gross amounts of recognised financial liabilities		Financial instruments	Cash collateral	Net amount
Accounts payable to clearinghouse		5,258,413,774	(5,018,720,430)	239,693,344	(239,693,344)	–
						–

## Notes to the Consolidated Financial Statements

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### 58. FINANCIAL RISK MANAGEMENT

The Group's risk management aims to effectively allocate risk-based capital, limit risks to a controllable level, maximise the corporate value and constantly solidify the foundation for a steady and sustainable development of the Group. The Group monitors and controls key exposures to credit risk, liquidity risk and market risk by using financial instruments.

#### (a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debtors' default or bankruptcy, including the loss due to default of intermediary institutions (such as brokers or custodian banks). The risk exposure is the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) Credit risk from the defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

#### Measurement of expected credit losses

The Group recognises an impairment loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities measured at fair value through other comprehensive income via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

A default is that a client or a financier or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the loss bore by the Group on the exposure at default. In the determination of LGD, the Group estimates the recoverable cash flow from disposing underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and estimates LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different risk stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures the loss allowance on either a 12-month or the lifetime basis for the investments at different risk stages.



## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Measurement of expected credit losses *(continued)*

##### ***Provision method of ECL***

The Group recognises impairment provision of debt securities investment and margin financing business based on ECL. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different risk stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on the balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be classified into "Stage 1"; the financial instruments of which the credit risk has increased significantly since the initial recognition will be classified into "Stage 2"; and the financial instruments that have been credit-impaired will be transferred into "Stage 3". The Group measures ECL based on the parameters such as PD, LGD and EAD.

##### ***The criteria of significant increase in credit risk ("SICR")***

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of the bond issuer or debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions of the bond issuer and these adverse changes are expected to cause a significant decrease in the bond issuer's ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the agreed prior-warning line, collaterals are suspended continuously or have adverse changes in their conditions, assets held by the debtors have significant deterioration in qualities, or a debt is approaching its maturity with a risk of default.

##### ***Definition criteria of credit-impaired assets***

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the bond issuer is unable to perform the payment obligations as agreed, has other default bonds or is in a circumstance that can be determined as in default, e.g. having significant financial difficulties; (2) for margin financing business: the margin financing client violates the business agreement, e.g. the client fails to remargin in a timely manner when the margin ratio is below the agreed level, the client fails to fully repay the debt when a margin call is triggered, the margin is unable to be closed out due to the suspension of trading of the collaterals, the client fails to fully repay the debt when the contract expires, or the shares used as pledge/guarantee are frozen by judicial system.

##### ***Forward-looking information***

The Group measures ECL using forward looking information without undue costs or inputs. The Group used forecasted values of changes in consumer price index and changes in national RMB borrowings as the basis, established relationship between these two macroeconomic indicators and default rates by statistical models, set out different scenario weightings, in order to determine an overall adjustment to default rates. The Group determined the forecasted values for the above two macroeconomic indicators to be 1.34% and 11.00% for 2020 based on publicly available forecast data from third parties. The parameter for the adjustment was determined through the weighted average under optimistic, neutral and pessimistic scenarios in combination with qualitative analysis method.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### Debt securities (including debt securities measured at FVTPL and at FVTOCI)

The Group focuses on diversifying investments in credit-type fixed income securities which are mainly high-credit rating products. The Group controls the exposure of the market risk and credit risk by setting investment position limit and by classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuers' business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc.

The carrying amount of the Group's debt securities are as follows:

	As at 31 December	
	2020	2019
Financial assets at fair value through profit or loss	80,814,486,684	76,130,839,312
Financial assets at fair value through other comprehensive income	37,212,187,524	28,985,823,339
Total	118,026,674,208	105,116,662,651

(i) The exposure to credit risk for debt securities at FVTPL and FVTOCI by geographic region was as follows.

	As at 31 December	
	2020	2019
Mainland China	117,490,283,780	104,620,412,929
Outside mainland China	536,390,428	496,249,722
Total	118,026,674,208	105,116,662,651

## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(iii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI.

Credit rating	As at 31 December			
	2020		2019	
	FVTPL	FVTOCI 12-month ECL	FVTPL	FVTOCI 12-month ECL
Outside mainland China (by international rating agencies)				
– AAA	13,428	–	13,636	–
– From AA- to AA+	195,266,774	–	–	–
– From A- to A+	976,835,477	1,266,183,968	1,351,421,066	1,707,571,481
– Below A-	11,918,910,384	2,473,257,046	12,495,297,861	3,048,454,944
Subtotal	13,091,026,063	3,739,441,014	13,846,732,563	4,756,026,425
Mainland China (by domestic rating agencies)				
– AAA	36,619,827,151	29,898,050,228	35,190,458,884	23,966,979,878
– From AA- to AA+	6,886,308,780	487,227,674	6,177,409,481	61,144,700
– From A- to A+	1,850,277,198	–	1,016,894,182	–
– Below A-	502,380,429	–	281,753,183	–
Subtotal	45,858,793,558	30,385,277,902	42,666,515,730	24,028,124,578
Non-rated I (Note 1)	5,953,043,593	3,087,468,608	1,304,072,061	201,672,336
Non-rated II (Note 2)	15,911,623,470	–	18,313,518,958	–
Total	80,814,486,684	37,212,187,524	76,130,839,312	28,985,823,339
Impairment loss allowance		(18,166,922)		(17,043,688)

Note 1: These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities with no ratings provided by independent rating agencies.

The Group did not have any debt securities that were past due but not impaired at 31 December 2020 and 31 December 2019.

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### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

**Debt securities (including debt securities measured at FVTPL and at FVTOCI) (continued)**

#### (iii) Movement of impairment loss allowance

The movement in impairment loss allowance for debt investments at FVTOCI during the year was as follows.

	12-month ECL	
	2020	2019
As at 1 January 2020	17,043,688	20,151,854
Changes due to financial instruments recognised as at 1 January 2020:		
Impairment losses recognised	2,167,942	323,121
Impairment losses reversed	(3,459,968)	(1,710,316)
New financial assets originated or purchased	12,484,361	10,215,082
Financial assets derecognised (including written-offs)	(9,351,307)	(12,197,036)
Others	(717,794)	260,983
As at 31 December 2020	18,166,922	17,043,688

As at 31 December 2020 and 31 December 2019, there was no lifetime ECL on debt investments held by the Group.

#### Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses including margin financing and stock-based lending businesses: vetting counterparties and assigning credit ratings and lending limits to the counterparties; managing collaterals (via haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios, and establishing and implementing margin call and mandatory liquidation policy.

- (i) The exposure to credit risk for financial assets other than debt securities at the reporting date by geographic region was as follows.

	As at 31 December	
	2020	2019
Mainland China	161,864,911,019	112,313,223,169
Outside mainland China	54,449,388,368	23,169,562,246
Total	216,314,299,387	135,482,785,415

**58. FINANCIAL RISK MANAGEMENT** *(continued)***(a) Credit risk** *(continued)***Other non-derivative financial investments (other than debt securities)** *(continued)***(ii) Movement of impairment loss allowance**

The movement in impairment loss allowance for other financial instruments (other than debt investments) at amortised cost during the year was as follows.

*(1) Financial assets held under resale agreements*

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2020	5,831,361	769,153	23,997,626	30,598,140
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	(13,715)	–	13,715	–
– Transfer to lifetime ECL	(252,621)	252,621	–	–
– Transfer to 12m ECL	192,970	(192,970)	–	–
– Impairment losses recognised	9,377,301	1,184,818	238,862,186	249,424,305
– Impairment losses reversed	(264,067)	–	(6,000,000)	(6,264,067)
New financial assets originated or purchased	30,386,511	5,949,374	16,456,111	52,791,996
Financial assets derecognised (including written-offs)	(3,959,617)	(576,183)	(19,397,794)	(23,933,594)
Others	–	–	–	–
Impairment loss allowance as at 31 December 2020	41,298,123	7,386,813	253,931,844	302,616,780
Gross carrying amount as at 31 December 2020	16,951,368,082	1,291,037,939	490,907,907	18,733,313,928

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(Expressed in RMB, unless otherwise stated)

### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### Other non-derivative financial investments (other than debt securities) (continued)

##### (ii) Movement of impairment loss allowance (continued)

(1) Financial assets held under resale agreements (continued)

		Year ended 31 December 2019		
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	15,263,462	8,670,861	49,860,126	73,794,449
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(74,922)	–	74,922	–
– Transfer to lifetime ECL	(545,763)	10,399,527	(9,853,764)	–
– Transfer to 12m ECL	6,391,689	(6,391,689)	–	–
– Impairment losses recognised	255,631	431,557	5,964,234	6,651,422
– Impairment losses reversed	(9,537,456)	(10,063,097)	(16,900,270)	(36,500,823)
New financial assets originated or purchased	204,856	1,065	–	205,921
Financial assets derecognised (including written-offs)	(6,126,136)	(2,279,071)	(5,147,622)	(13,552,829)
Impairment loss allowance as at 31 December 2019	5,831,361	769,153	23,997,626	30,598,140
Gross carrying amount as at 31 December 2019	12,983,070,969	416,440,743	930,023,341	14,329,535,053

**58. FINANCIAL RISK MANAGEMENT** *(continued)***(a) Credit risk** *(continued)***Other non-derivative financial investments (other than debt securities)** *(continued)***(ii) Movement of impairment loss allowance** *(continued)**(2) Receivable from margin clients*

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2020	22,634,834	1,029,104	19,288,172	42,952,110
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	(22,423)	(24,413)	46,836	–
– Transfer to lifetime ECL	(1,090,117)	1,090,117	–	–
– Transfer to 12m ECL	852,501	(615,411)	(237,090)	–
– Impairment losses recognised	74,420,775	3,252,465	93,449	77,766,689
– Impairment losses reversed	(1,704,912)	(175,891)	(2,972)	(1,883,775)
New financial assets originated or purchased	39,609,040	338,425	3,057	39,950,522
Financial assets derecognised (including written-offs)	(2,718,590)	(62,303)	(1,091,670)	(3,872,563)
Others	(150,136)	–	(17,959,411)	(18,109,547)
Impairment loss allowance as at 31 December 2020	131,830,972	4,832,093	140,371	136,803,436
Gross carrying amount as at 31 December 2020	33,048,396,685	945,529,412	27,690,618	34,021,616,715

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(Expressed in RMB, unless otherwise stated)

### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### Other non-derivative financial investments (other than debt securities) (continued)

##### (ii) Movement of impairment loss allowance (continued)

##### (2) Receivable from margin clients (continued)

		Year ended 31 December 2019		
		Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
	12-month ECL			
As at 1 January 2019	23,692,459	–	239,351	23,931,810
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(1,412,419)	–	1,412,419	–
– Transfer to lifetime ECL	(1,002,859)	1,004,027	(1,168)	–
– Transfer to 12m ECL	7,222	–	(7,222)	–
– Impairment losses recognised	4,193,670	279,472	523,425	4,996,567
– Impairment losses reversed	(7,675,551)	(435,942)	(657,389)	(8,768,882)
New financial assets originated or purchased	7,128,369	181,547	17,781,333	25,091,249
Financial assets derecognised (including written-offs)	(2,347,955)	–	(198,856)	(2,546,811)
Others	51,898	–	196,279	248,177
Impairment loss allowance as at 31 December 2019	22,634,834	1,029,104	19,288,172	42,952,110
Gross carrying amount as at 31 December 2019	22,261,269,050	628,039,868	343,594,082	23,232,903,000



**58. FINANCIAL RISK MANAGEMENT** *(continued)***(a) Credit risk** *(continued)***Other non-derivative financial investments (other than debt securities)** *(continued)***(ii) Movement of impairment loss allowance** *(continued)**(3) Other financial instruments at amortised cost*

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2020	591,187	13,416,548	247,094,928	261,102,663
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	–	–	–	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	87,187,854	40,835,118	299,837,451	427,860,423
– Impairment losses reversed	(93,674)	(494)	(3,763,460)	(3,857,628)
New financial assets originated or purchased	160,325,843	12,810,836	676,754	173,813,433
Financial assets derecognised (including written-offs)	(1,726,376)	–	(40,827,360)	(42,553,736)
Others	(119,924)	(363,908)	(14,130,532)	(14,614,364)
Impairment loss allowance as at 31 December 2020	246,164,910	66,698,100	488,887,781	801,750,791
Gross carrying amount as at 31 December 2020	137,087,617,961	3,073,423,290	576,138,791	140,737,180,042

## Notes to the Consolidated Financial Statements

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### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### Other non-derivative financial investments (other than debt securities) (continued)

##### (ii) Movement of impairment loss allowance (continued)

##### (3) Other financial instruments at amortised cost (continued)

		Year ended 31 December 2019		
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	1,101,767	12,970,943	66,732,674	80,805,384
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(12,296)	–	12,296	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	94,364	724,363	136,612,022	137,430,749
– Impairment losses reversed	(43,414)	(288,977)	(1,607,335)	(1,939,726)
New financial assets originated or purchased	305,128	10,219	57,119,783	57,435,130
Financial assets derecognised (including written-offs)	(853,819)	–	(13,475,491)	(14,329,310)
Others	(543)	–	1,700,979	1,700,436
Impairment loss allowance as at 31 December 2019	591,187	13,416,548	247,094,928	261,102,663
Gross carrying amount as at 31 December 2019	76,813,443,146	3,867,029,091	258,370,404	80,938,842,641

Other financial instruments at amortised cost mainly include accounts receivable, other receivables and deposits with banks.

## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns credit ratings accordingly. On the basis of credit ratings, the Group sets corresponding credit risk exposure limits for counterparties, and manages counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

### (b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting ordinary business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess the Group's liquidity risk exposure; maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, rates prevailing at the end of the year) calculated based on the earliest date the Group can be required to pay, by the remaining contractual maturities of these liabilities at the end of the year:

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(Expressed in RMB, unless otherwise stated)

### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Liquidity risk (continued)

	As at 31 December 2020					Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	
Financial liabilities						
Accounts payable to brokerage clients	70,655,180,456	–	–	–	–	70,655,180,456
Placements from financial institutions	–	34,693,675,373	–	–	–	34,693,675,373
Financial liabilities at fair value						
through profit or loss	–	42,861,548,262	31,204,353	–	–	42,892,752,615
Derivative financial liabilities (Note)	–	24,274,292,861	404,514,934	3,726,842	–	24,682,534,637
REPOs	–	25,176,471,507	–	–	–	25,176,471,507
Short-term debt securities issued	–	24,786,178,088	1,777,427,519	–	–	26,563,605,607
Long-term debt securities issued	–	25,317,890,096	107,220,070,994	8,273,380,000	–	140,811,341,090
Lease liabilities	–	583,385,659	631,680,737	80,101,973	–	1,295,168,369
Others	55,400,011,773	29,438,926,631	13,888,735	–	–	84,852,827,139
Total	126,055,192,229	207,132,368,477	110,078,787,272	8,357,208,815	–	451,623,556,793
As at 31 December 2019						
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	48,337,872,171	–	–	–	–	48,337,872,171
Placements from financial institutions	–	24,336,819,054	–	–	–	24,336,819,054
Financial liabilities at fair value						
through profit or loss	–	26,362,724,129	207,594,725	–	–	26,570,318,854
Derivative financial liabilities (Note)	–	6,096,910,786	265,278,058	3,157	–	6,362,192,001
REPOs	–	24,713,038,178	–	–	–	24,713,038,178
Short-term debt securities issued	–	20,788,452,951	689,966,100	–	–	21,478,419,051
Long-term debt securities issued	–	24,639,949,705	61,089,800,034	–	–	85,729,749,739
Lease liabilities	–	542,975,636	953,370,780	90,777,171	–	1,587,123,587
Others	32,768,536,091	23,409,982,773	15,941,337	–	–	56,194,460,201
Total	81,106,408,262	150,890,853,212	63,221,951,034	90,780,328	–	295,309,992,836

Note: The undiscounted contractual net cash outflows on derivative liabilities is presented on a net basis.

## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Market risk

Market risk is the risk of loss of the Group's income and value of financial instruments arising from the adverse market movements such as unfavourable changes in interest rates, stock prices and exchange rates. The objectives of market risk management are to monitor the market risk and control it within the acceptable range and to maximise the risk adjusted return. Stress testing is conducted regularly, and the risk control indicators and operating indicators in a variety of scenarios are calculated. The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

#### (i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit, etc., and are maintained within the limits set up by management. The Group adopts various kinds of methods (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis and stress test) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique which estimates the potential losses that could incur on risk positions taken, due to the adverse market movements, such as unfavourable changes in interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR by using a historical simulation method and implements relevant control measurements over the market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and on the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do have some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;
- The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and
- The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 58. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Market risk (continued)

##### (i) Market risk of investment portfolios (continued)

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the years of 2020 and 2019 respectively:

	As at 31 December 2020	Year ended 31 December 2020		
		Average	Highest	Lowest
Equity prices	168,760,417	159,476,256	271,586,230	32,843,887
Interest rates	35,629,109	43,610,214	53,094,558	29,775,232
Currency rates	37,172,023	36,988,612	43,489,561	25,464,285
Commodity prices	1,309,872	1,359,948	5,372,547	283,783
Diversification effect	(63,062,795)	(71,837,789)		
Total portfolio	179,808,626	169,597,241	267,183,358	62,439,644

	As at 31 December 2019	Year ended 31 December 2019		
		Average	Highest	Lowest
Equity prices	30,936,433	27,295,314	63,327,778	8,266,060
Interest rates	36,577,675	53,170,545	63,897,038	35,413,961
Currency rates	33,886,625	31,963,024	43,034,370	10,516,056
Commodity prices	3,833,248	1,392,051	6,264,911	49,390
Diversification effect	(47,366,615)	(44,154,634)		
Total portfolio	57,867,366	69,666,300	98,072,104	50,664,887

## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Market risk *(continued)*

#### (ii) Market risk of non-trading portfolios

##### (1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearinghouses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity	
	Year ended 31 December	
	2020	2019
Changes in basis points		
Increase by 50 basis points	<b>(287,838,356)</b>	(213,876,502)
Decrease by 50 basis points or decrease to 0	<b>323,448,026</b>	224,548,089

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year and shows how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rate;
- There are no changes to the assets and liabilities portfolios;
- Other variables (including exchange rates) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

As the actual changes of interest rate might be different from the above assumptions, the impact of the interest rate changes on the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

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(Expressed in RMB, unless otherwise stated)

## 58. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (ii) Market risk of non-trading portfolios (continued)

##### (2) Currency risk

Currency risk is the risk arising from fluctuation of foreign exchange rates. The table below presents the exchange rate sensitivity analysis of the Group's major currency risk exposures, which calculates the effect of reasonably possible changes in the foreign exchange rate on net profit and equity where all other variables are held constant. This analysis does not take into account the correlations between the exchange rate changes of different currencies, nor does it take into account the measures that the Group may take to address the adverse impact of foreign exchange exposure on profit.

Currency	Changes in exchange rates	Sensitivity of net profit and equity Year ended 31 December	
		2020	2019
USD	1%	(257,483,322)	(246,649,458)
HKD	1%	80,385,868	23,097,907
Others	1%	1,773,972	1,381,543

While the table above indicates the effect on net profit and equity of 1% appreciation of USD, HKD and other foreign currencies, there will be an opposite effect with the same amount if the currencies depreciate by the same percentage.



## 58. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Market risk *(continued)*

#### (ii) Market risk of non-trading portfolios *(continued)*

##### (2) Currency risk *(continued)*

The table below presents the Group's exposure to foreign exchange risk as at 31 December 2020 and 31 December 2019. The Group's exposure to RMB is presented in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorized by the original currencies.

	As at 31 December 2020				
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	Total
Net exposure in the consolidated statement of financial position	108,221,153,244	(41,876,793,298)	5,012,104,375	458,668,673	71,815,132,994

	As at 31 December 2019				
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	Total
Net exposure in the consolidated statement of financial position	66,433,886,158	(21,461,009,199)	3,268,258,520	290,399,956	48,531,535,435

## 59. CAPITAL MANAGEMENT

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximising returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction and which may varies from jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No. 10) issued by the CSRC on 23 January 2020.

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 59. CAPITAL MANAGEMENT (continued)

In accordance with CSRC Announcement [2020] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk Coverage Ratio (Net capital/Total risk capital reserves×100%) shall be no less than 100% ("Ratio i");
- (ii) Capital Leverage Ratio (Core net capital/Total on-and-off-balance-sheet assets×100%) shall be no less than 8% ("Ratio ii");
- (iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days×100%) shall be no less than 100% ("Ratio iii");
- (iv) Net Stable Funding Ratio (Stable funding available/Stable funding required×100%) shall be no less than 100% ("Ratio iv");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio v");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio vi");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio vii");
- (viii) The ratio of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio viii");
- (ix) The ratio of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio ix").

As at 31 December 2020 and 2019, the above risk control indicators of the Company were as follows:

	As at 31 December	
	2020	2019
Net Capital	<b>46,601,687,730</b>	28,702,021,460
Ratio i	<b>162.87%</b>	132.49%
Ratio ii	<b>14.36%</b>	10.47%
Ratio iii	<b>248.55%</b>	251.91%
Ratio iv	<b>124.96%</b>	128.85%
Ratio v	<b>77.26%</b>	70.20%
Ratio vi	<b>22.73%</b>	24.65%
Ratio vii	<b>29.42%</b>	35.11%
Ratio viii	<b>45.62%</b>	44.94%
Ratio ix	<b>278.46%</b>	290.10%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, etc.

The above risk control indicators are calculated based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

## 60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) The Company's statement of financial position

	Note	As at 31 December 2020	2019
Non-current assets:			
Property and equipment		431,948,535	435,575,843
Right-of-use assets		452,276,527	612,829,845
Intangible assets		130,797,304	103,217,147
Interests in subsidiaries	61	24,953,777,514	22,643,777,514
Interests in associates and joint ventures		488,556,150	407,839,515
Reverse REPOs		525,896,882	65,050,590
Refundable deposits		1,815,919,438	1,699,266,387
Deferred tax assets		1,220,716,177	621,956,634
Other non-current assets		106,657,344	128,630,571
Total non-current assets		30,126,545,871	26,718,144,046
Current assets:			
Accounts receivable		31,412,045,335	9,805,193,196
Receivable from margin clients		5,333,303,299	2,766,714,285
Financial assets at fair value through other comprehensive income		24,588,747,038	20,067,334,715
Financial assets at fair value through profit or loss		126,086,149,449	73,487,881,746
Derivative financial assets		14,737,812,715	3,182,247,665
Reverse REPOs		13,055,783,358	10,433,010,873
Cash held on behalf of clients		20,765,908,168	15,121,597,005
Cash and bank balances		18,186,478,824	9,649,881,652
Other current assets		1,801,416,554	1,281,716,226
Total current assets		255,967,644,740	145,795,577,363
Total assets		286,094,190,611	172,513,721,409

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

#### (a) The Company's statement of financial position (continued)

	Notes	As at 31 December	
		2020	2019
Current liabilities:			
Financial liabilities at fair value through profit or loss		<b>1,317,838,255</b>	2,107,270,290
Derivative financial liabilities		<b>16,407,248,492</b>	3,754,090,061
Accounts payable to brokerage clients		<b>20,745,017,791</b>	10,716,008,886
Placements from financial institutions		<b>22,537,987,183</b>	13,305,797,714
Short-term debt securities issued		<b>14,992,735,169</b>	10,106,707,969
REPOs		<b>12,825,570,771</b>	9,155,548,103
Employee benefits payable		<b>4,868,599,963</b>	2,815,906,617
Income tax payable		<b>505,905,753</b>	317,223,201
Long-term debt securities issued due within one year		<b>13,135,347,932</b>	15,664,571,241
Contract liabilities		<b>85,493,272</b>	66,049,227
Other current liabilities		<b>54,371,291,980</b>	33,222,338,080
Total current liabilities		<b>161,793,036,561</b>	101,231,511,389
Net current assets		<b>94,174,608,179</b>	44,564,065,974
Total assets less current liabilities		<b>124,301,154,050</b>	71,282,210,020
Non-current liabilities:			
Non-current employee benefits payable		<b>527,356,440</b>	394,448,276
Long-term debt securities issued		<b>62,974,381,321</b>	29,369,262,562
Lease liabilities		<b>479,386,472</b>	633,150,164
Total non-current liabilities		<b>63,981,124,233</b>	30,396,861,002
Net assets		<b>60,320,029,817</b>	40,885,349,018
Equity:			
Share capital	50	<b>4,827,256,868</b>	4,368,667,868
Other equity instruments	51	<b>5,000,000,000</b>	1,000,000,000
Reserves	50	<b>45,796,713,361</b>	32,570,193,268
Retained profits		<b>4,696,059,588</b>	2,946,487,882
Total equity		<b>60,320,029,817</b>	40,885,349,018

**60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY** *(continued)***(b) Movement in the Company's reserves**

	Share capital	Other equity instruments	Reserves					Retained profits	Total equity
			Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Subtotal		
At 1 January 2020	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018
Changes in equity for the year									
Profit for the year	-	-	-	-	-	-	-	2,590,179,997	2,590,179,997
Other comprehensive income for the year	-	-	-	-	-	(130,560,690)	(130,560,690)	-	(130,560,690)
Total comprehensive income for the year	-	-	-	-	-	(130,560,690)	(130,560,690)	2,590,179,997	2,459,619,307
Appropriation to surplus reserve	-	-	-	259,018,000	-	-	259,018,000	(259,018,000)	-
Appropriation to general reserves	-	-	-	-	524,590,291	-	524,590,291	(524,590,291)	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)
Issuance of A Shares	458,589,000	-	12,573,472,492	-	-	-	12,573,472,492	-	13,032,061,492
Issuance of perpetual subordinated bonds	-	5,000,000,000	-	-	-	-	-	-	5,000,000,000
Redemption of perpetual subordinated bonds	-	(1,000,000,000)	-	-	-	-	-	-	(1,000,000,000)
At 31 December 2020	4,827,256,868	5,000,000,000	41,699,678,499	995,576,479	3,118,978,079	(17,519,696)	45,796,713,361	4,696,059,588	60,320,029,817

## Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

### 60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

#### (b) Movement in the Company's reserves (continued)

	Share capital	Other equity instruments	Reserves					Retained profits	Total equity
			Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Subtotal		
At 1 January 2019	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735
Changes in equity for the year									
Profit for the year	-	-	-	-	-	-	-	2,040,628,027	2,040,628,027
Other comprehensive income for the year	-	-	-	-	-	49,415,652	49,415,652	-	49,415,652
Total comprehensive income for the year	-	-	-	-	-	49,415,652	49,415,652	2,040,628,027	2,090,043,679
Appropriation to surplus reserve	-	-	-	204,062,803	-	-	204,062,803	(204,062,803)	-
Appropriation to general reserves	-	-	-	-	410,254,073	-	410,254,073	(410,254,073)	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)
Dividends to shareholders	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)
Issuance of H shares	176,000,000	-	2,081,603,463	-	-	-	2,081,603,463	-	2,257,603,463
At 31 December 2019	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018

### 61. INTERESTS IN SUBSIDIARIES

	As at 31 December	
	2020	2019
Unlisted shares, at cost or deemed cost	24,953,777,514	22,643,777,514

**61. INTERESTS IN SUBSIDIARIES** *(continued)***(a) Particulars of the Company's principal subsidiaries are as follows:**

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup>
				2020	2019		
China International Capital Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HKD 3,900,000,000	100%	100%	Overseas investment holding business	DTT
CICC Wealth Management	Shenzhen, PRC	Limited liability company	RMB 8,000,000,000	100%	100%	Investment banking and securities brokerage business	DTT PRC
CICC Capital management Co., Ltd.	Beijing, PRC	Limited liability company	RMB922,804,807	100%	100%	Direct investment business	DTT PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	Limited liability company	RMB 1,200,000,000	100%	100%	Financial instruments Investment business	DTT PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	Limited liability company	RMB 400,000,000	100%	100%	Management of funds business	DTT PRC
CICC Futures Co., Ltd.	Xining, PRC	Limited liability company	RMB 350,000,000	100%	100%	Futures brokerage business	DTT PRC
CISC Tianqi Futures Co., Ltd. <sup>(3)</sup>	Shenzhen, PRC	Limited liability company	RMB 300,000,000	100%	80%	Futures brokerage business	DTT PRC
CICC Qiyuan National Emerging Industries PEVC Fund Management Co., Ltd. <sup>(3)</sup>	Wuhan, PRC	Limited liability company	RMB10,000,000	100%	100%	Direct investment business	DTT PRC
China International Capital Corporation Hong Kong Securities Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD 2,548,220,000	100%	100%	Investment banking and securities brokerage business	DTT
CICC Financial Products Ltd. <sup>(3)</sup>	British Virgin Islands	Limited liability company	USD1	100%	100%	Financial products investment business	DTT
CICC Hong Kong Asset Management Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD443,540,000	100%	100%	Assets management business	DTT
China International Capital Corporation (Singapore) Pte. Limited <sup>(3)</sup>	Singapore	Limited liability company	SGD52,000,000	100%	100%	Investment banking and securities brokerage business	DTT Singapore
China International Capital Corporation (UK) Limited <sup>(3)</sup>	UK	Limited liability company	GBP33,000,000	100%	100%	Investment banking and securities brokerage business	DTT UK

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(Expressed in RMB, unless otherwise stated)

### 61. INTERESTS IN SUBSIDIARIES (continued)

#### (a) Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup>
				2020	2019		
CICC US Securities, Inc. <sup>(3)</sup>	USA	Limited liability company	USD68,000,000	100%	100%	Investment banking and securities brokerage business	DTT US
CICC US Securities (Hong Kong) Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD15,500,001	100%	100%	Securities business	DTT US
China International Capital Corporation Hong Kong Futures Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD72,000,000	100%	100%	Futures brokerage business	DTT
CICC Financial Trading Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD1	100%	100%	Securities trading business	DTT
CICC Capital (Cayman) Limited <sup>(2)(3)</sup>	Cayman Islands	Limited liability company	USD2	100%	100%	Direct investment business	–
CICC Deutschland GmbH <sup>(2)(3)</sup>	German	Limited liability company	EUR2,025,000	100%	100%	Investment banking and securities brokerage business	–

#### (b) Acquisition of a subsidiary

In August 2019, as the equity interest in CICC Qianhai Development Fund Management Company Limited ("CICC Qianhai") held by one of the shareholders under joint control arrangement was transferred to third parties, the Group obtained control of CICC Qianhai through the corresponding amendments to CICC Qianhai's articles of association. The Group's equity interest in CICC Qianhai remained at 55% before and after the change from joint control to control.

On consolidation, the financial position and operating results of CICC Qianhai were not material to the Group and non-controlling interests of RMB44.4 million was recognised, representing the equity interests of other shareholders in CICC Qianhai.



## 61. INTERESTS IN SUBSIDIARIES *(continued)*

### (b) Acquisition of a subsidiary *(continued)*

Notes:

- (1) Statutory auditors of the respective subsidiaries of the Group are as follows:
  - DTT PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合伙), a firm of certified public accountants registered in the PRC;
  - DTT represents Deloitte Touche Tohmatsu, 德勤·關黃陳方會計師行(香港), a firm of certified public accountants registered in Hong Kong;
  - DTT Singapore represents DTT LLP in Singapore, a firm of certified public accountants registered in Singapore;
  - DTT UK represents DTT LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
  - DTT US represents DTT LLP in the US, a firm of certified public accountants registered in the United States of America.
- (2) These subsidiaries were not subject to statutory audit according to the local regulations.
- (3) The equity interest of these subsidiaries was indirectly held by the Company.

## 62. CONTINGENCIES

The Group is exposed to the risk of economic benefit outflows due to litigations, arbitrations or regulatory investigations in the course of operations. The Group, after having assessed in accordance with the International Accounting Standard, believes that the probability for the occurrence of such risk is relatively low. The Group had no outstanding contingent matters which had a material impact on its consolidated financial position as at 31 December 2020.

## 63. SUBSEQUENT EVENTS

### (a) Corporate bonds

The Group issued 21 CICC F1 with an aggregate principal amount of RMB2.50 billion and 21 CICC F2 with an aggregate principal amount of RMB2.50 billion on 18 January 2021. The Group issued 21 CICC F3 with an aggregate principal amount of RMB1.50 billion and 21 CICC F4 with an aggregate principal amount of RMB2.00 billion on 4 March 2021. The Group issued 21 CICC G1 with an aggregate principal amount of RMB2.00 billion and 21 CICC G2 with an aggregate principal amount of RMB2.00 billion on 16 March 2021. The Group issued 21 CICC G3 with an aggregate principal amount of RMB1.50 billion and 21 CICC G4 with an aggregate principal amount of RMB2.50 billion on 25 March 2021. The Group issued 21 CICC WMS G1 with an aggregate principal amount of RMB2.00 billion and 21 CICC WMS G2 with an aggregate principal amount of RMB3.00 billion on 26 March 2021. The Group redeemed 18 CICC 02 with an aggregate principal amount of RMB1.00 billion on 26 January 2021 and 18 CISC 01 with an aggregate principal amount of RMB1.00 billion on 23 March 2021.

### (b) Subordinated bonds

The Group issued 21 CICC C1 with an aggregate principal amount of RMB1.00 billion and 21 CICC C2 with an aggregate principal amount of RMB1.00 billion on 8 February 2021. The Group issued 21 CICC WMS C1 with an aggregate principal amount of RMB1.00 billion and 21 CICC WMS C2 with an aggregate principal amount of RMB1.00 billion on 9 March 2021.

### (c) MTNs

The Group issued a tranche of 3-year MTN with an aggregate principal amount of USD1.00 billion and a tranche of 5-year MTN with an aggregate principal amount of USD500 million on 26 January 2021.

## Notes to the Consolidated Financial Statements

*(Expressed in RMB, unless otherwise stated)*

### **63. SUBSEQUENT EVENTS** *(continued)*

#### **(d) Perpetual subordinated bonds**

The Group issued 21 CICC Y1 with an aggregate principal amount of RMB1.5 billion on 29 January 2021.

#### **(e) Proposed profit distribution after the reporting period**

In accordance with the 2020 profit distribution plan approved by the Board of Directors on 30 March 2021, the Company will adopt the method of cash dividends for its 2020 profit distribution. The total of proposed cash dividends to be distributed is RMB 868,906,236 (tax inclusive). On the basis of 4,827,256,868 shares in issue as at the date of approval of the financial statements of the Company, a cash dividend of RMB1.80 (tax inclusive) for every ten shares will be distributed. The 2020 profit distribution plan is subject to approval of the related resolution by the annual general meeting. The cash dividends will be recognized as liabilities after the approval and declaration by the annual general meeting.

### **64. COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform to the current period's presentation.

# Independent Auditor's Report

**Deloitte.****德勤****To the Shareholders of China International Capital Corporation Limited***(Incorporated in the People's Republic of China with limited liability)***Opinion**

We have audited the consolidated financial statements of China International Capital Corporation Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 185 to 332, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments measured at Level III fair value</i>	
<p>We identified the valuation of financial instruments measured at Level III fair value as a key audit matter. As at 31 December 2019, the Group holds financial instruments of RMB4,858 million measured at Level III fair values as disclosed in Note 56, which are significant to the consolidated financial statements.</p> <p>For the valuation of these financial instruments measured at Level III fair value, the selection of valuation techniques, the key assumptions and unobservable inputs used in the valuation techniques involve significant estimation of the management as disclosed in Note 4(a) and Note 56.</p> <p>Owing to the above reasons, we identified the valuation of financial instruments measured at Level III fair value as a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our procedures in relation to valuation of financial instruments measured at Level III fair value included:</p> <ul style="list-style-type: none"> <li>Understanding the Group's valuation models for financial instruments at Level III fair value and key controls over selection of valuation methods and determining the valuation of such financial instruments;</li> <li>Selecting financial instruments at Level III fair value on a sample basis and: <ul style="list-style-type: none"> <li>Reviewing the investment agreements to understand the relevant investment terms and identifying any conditions that were relevant to the valuation of the selected financial instruments;</li> <li>Evaluating the appropriateness of the model adopted by management in the valuation of the selected financial instruments, based on our knowledge of current industry practice;</li> <li>Evaluating the appropriateness of the unobservable and observable inputs used by the management for measuring the fair value of the selected financial instruments with reference to relevant market data;</li> </ul> </li> <li>For the samples selected in above procedures, involving our internal valuation specialists to develop expected fair values and sensitivity analysis of the selected financial instruments, on a sample basis, and investigating if the expected fair values are significantly deviated from the corresponding fair value adopted by the Group.</li> </ul>

# Independent Auditor's Report

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<i>Consolidation of structured entities</i>	
<p>We identified the consolidation of structured entities as a key audit matter. As disclosed in Note 52(a) to the consolidated financial statements, as at 31 December 2019, the carrying amount of interests held by the Group amounted to RMB7,947 million, which is significant to the consolidated financial statements.</p> <p>As disclosed in Note 4(b) to the consolidated financial statements, in accordance with the principle of control in IFRS 10 <i>Consolidated Financial Statements</i>, to determine whether structured entities should be consolidated, a combination of factors need to be assessed by management to make a comprehensive judgment on whether the Group has controlled the structure entities, according to the terms of the related contracts, including the purpose of establishment, the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, that the Group is a principal or an agent and etc. The assessment above involves significant judgement and estimation of the management.</p> <p>Owing to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of management's key controls over determining the consolidation of structured entities;</li> <li>• Reviewing, on a sample basis, the related investment contracts and service agreements of investments in structured entities to assess whether the management has appropriately considered the following factors in determining the consolidation of structured entities: <ul style="list-style-type: none"> <li>– The purpose of establishment, the major activities and decision-making process of these structured entities;</li> <li>– All variable returns entitled, primarily investment income and management remuneration, by the Group;</li> <li>– The Group's substantive power over these structured entities and how it can affect the variable returns; and</li> <li>– Whether the Group makes investment decision as the principal.</li> </ul> </li> <li>• Checking and evaluating, on a sample basis, management's quantitative analysis on the Group's exposure or right to variable returns with its economic interests in the structured entity and examining the data used in these calculations by reference to the related contracts.</li> </ul>

**Key Audit Matters** (continued)

Key Audit Matter	How our audit addressed the key audit matter
<i>Impairment assessment of goodwill</i>	
<p>We identify the impairment assessment of goodwill as a key audit matter. As disclosed in Note 23, the Company acquired China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited, hereinafter referred to as "CICC Wealth Management") in 2017 and paid the consideration of RMB16,701 million as the cost of the acquisition. The difference between the consideration and the fair value of the net identifiable assets attributable to the Company was RMB1,583 million, which was recognised as goodwill, which is significant to the consolidated financial statements.</p> <p>As disclosed in Note 4(c) to the consolidated financial statements, the carrying amount of goodwill may be exposed to the risk that it cannot be entirely recoverable through the expected future cash flows to be generated from the cash-generating units relevant to the goodwill. As further disclosed in Note 23, in assessing the impairment of the goodwill, management calculated the present value of the expected future cash flows of the relevant cash-generating units by using the discounted cash flow model so as to determine the recoverable amount. Key assumptions adopted by the model including cash flow projection, discount rate and growth rate are of inherent uncertainties and affected by the management bias.</p> <p>Owing to the above reasons, we identified the impairment assessment of goodwill as a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of management's key controls over impairment assessment of goodwill, including the preparation of cash flow projections, discount rate and growth rate;</li> <li>• Evaluating the competence, capabilities and objectivity of the external appraiser appointed by the management;</li> <li>• Challenging the assumptions and critical judgements adopted in the discounted cash flow forecasts by comparing the key inputs, including forecasted income, long-term growth rate and forecasted margins with reference to the past performance and the financial budgets approved by the board of directors and industry statistics, and checking against the available supporting documents; and</li> <li>• Obtaining management sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would indicate that the goodwill may be impaired and considering whether there were any indicators of management bias in the selection of key assumptions.</li> </ul>

# Independent Auditor's Report

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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.



# Independent Auditor's Report

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Man Kai Sze.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, China

30 March 2020

# Consolidated Statement of Profit or Loss

for the Year ended 31 December 2019 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
Revenue:			
Fee and commission income	6	10,733,052,264	8,820,404,216
Interest income	7	4,800,188,053	4,586,925,312
Investment income	8	6,958,642,800	4,541,066,436
Total revenue		22,491,883,117	17,948,395,964
Other income, net	9	290,627,436	591,257,896
Total revenue and other income		22,782,510,553	18,539,653,860
Expenses:			
Fee and commission expenses	10	1,186,330,727	868,605,501
Interest expenses	11	5,895,513,419	4,870,885,014
Staff costs	12	7,202,881,554	5,737,844,920
Depreciation and amortisation expenses	15	913,235,412	301,902,598
Tax and surcharges		84,392,616	72,320,091
Other operating expenses and costs	16	2,099,330,393	2,345,135,899
Impairment losses under expected credit loss model	17	159,597,831	74,176,168
Total expenses		17,541,281,952	14,270,870,191
Operating profit		5,241,228,601	4,268,783,669
Share of profits of associates and joint ventures		60,403,081	118,564,684
Profit before income tax		5,301,631,682	4,387,348,353
Less: Income tax expense	18	1,053,804,852	852,726,740
Profit for the year		4,247,826,830	3,534,621,613
Attributable to:			
Shareholders of the Company and holders of other equity instruments		4,238,719,317	3,492,157,669
Non-controlling interests		9,107,513	42,463,944
Basic earnings per share (in RMB per share)	20	0.99	0.83

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China International Capital Corporation Limited

The notes on pages 195 to 332 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

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China International Capital Corporation Limited

	Year ended 31 December	
	2019	2018
Profit for the year	<b>4,247,826,830</b>	3,534,621,613
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net gains from changes in fair value	<b>370,839,097</b>	408,925,202
– (Reversal of)/provision for expected credit losses	<b>(3,108,166)</b>	6,834,257
– Tax effect	<b>(17,850,298)</b>	(69,959,604)
– Net gains transferred to profit or loss on disposals	<b>(200,589,971)</b>	(184,090,116)
Interests in associates and joint ventures:		
– Share of other comprehensive income	<b>(103,278)</b>	–
Foreign currency translation difference of financial statements of overseas subsidiaries	<b>165,151,703</b>	274,812,565
Total other comprehensive income for the year, net of income tax	<b>314,339,087</b>	436,522,304
Total comprehensive income for the year	<b>4,562,165,917</b>	3,971,143,917
Attributable to:		
Shareholders of the Company and holders of other equity instruments	<b>4,553,058,404</b>	3,928,679,973
Non-controlling interests	<b>9,107,513</b>	42,463,944

The notes on pages 195 to 332 form part of these financial statements.

# Consolidated Statement of Financial Position

as at 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2019	2018
Non-current assets:			
Property and equipment	21	729,506,720	597,207,220
Right-of-use assets	22	2,603,508,871	–
Goodwill	23	1,582,678,646	1,582,678,646
Intangible assets	24	285,100,659	272,225,643
Interests in associates and joint ventures	25	1,168,476,657	1,266,950,588
Financial assets at fair value through profit or loss	26	3,719,607,275	2,471,319,697
Financial assets held under resale agreements ("reverse REPOs")	27	241,608,278	739,070,482
Refundable deposits	28	6,502,093,854	3,489,936,509
Deferred tax assets	29	1,089,945,732	1,156,997,727
Other non-current assets	30	1,315,599,799	1,813,311,700
Total non-current assets		19,238,126,491	13,389,698,212
Current assets:			
Accounts receivable	31	17,876,559,376	11,368,761,807
Receivable from margin clients	32	23,189,950,890	17,716,209,967
Financial assets at fair value through other comprehensive income	33	28,985,823,339	35,699,665,877
Financial assets at fair value through profit or loss	26	164,472,286,846	112,313,583,432
Reverse REPOs	27	14,057,328,635	18,841,937,712
Derivative financial assets	34	4,502,204,258	5,529,536,148
Cash held on behalf of clients	35	48,458,799,900	37,902,902,736
Cash and bank balances	36	23,958,928,670	22,424,488,162
Other current assets		231,234,510	233,756,299
Total current assets		325,733,116,424	262,030,842,140
Total assets		344,971,242,915	275,420,540,352

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# Consolidated Statement of Financial Position

as at 31 December 2019 (Expressed in RMB, unless otherwise stated)

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China International Capital Corporation Limited

	Notes	As at 31 December 2019	2018
Current liabilities:			
Financial liabilities at fair value through profit or loss	38	<b>26,570,318,854</b>	15,094,248,271
Derivative financial liabilities	34	<b>6,362,192,001</b>	3,381,209,869
Accounts payable to brokerage clients	39	<b>48,337,872,171</b>	41,317,904,126
Placements from financial institutions	40	<b>24,082,382,130</b>	8,533,803,872
Short-term debt securities issued	41	<b>21,240,334,869</b>	14,061,377,785
Financial assets sold under repurchase agreements ("REPOs")	42	<b>24,708,257,231</b>	48,650,756,322
Employee benefits payable	43	<b>4,843,433,026</b>	3,938,854,639
Income tax payable		<b>991,893,266</b>	759,950,938
Long-term debt securities issued due within one year	45	<b>21,806,085,676</b>	12,993,890,883
Lease liabilities	46	<b>487,672,398</b>	–
Contract liabilities	47	<b>339,489,435</b>	214,441,996
Other current liabilities	44	<b>56,957,135,623</b>	31,914,725,434
Total current liabilities		<b>236,727,066,680</b>	180,861,164,135
Net current assets		<b>89,006,049,744</b>	81,169,678,005
Total assets less current liabilities		<b>108,244,176,235</b>	94,559,376,217
Non-current liabilities:			
Non-current employee benefits payable	43	<b>636,478,779</b>	834,544,875
Long-term debt securities issued	45	<b>57,585,268,714</b>	48,998,790,985
Deferred tax liabilities	29	<b>361,389,177</b>	270,866,094
Lease liabilities	46	<b>972,322,130</b>	–
Other non-current liabilities	48	<b>157,182,000</b>	2,078,437,686
Total non-current liabilities		<b>59,712,640,800</b>	52,182,639,640
Net assets		<b>48,531,535,435</b>	42,376,736,577

	Notes	As at 31 December	
		2019	2018
Equity:			
Share capital	49	<b>4,368,667,868</b>	4,192,667,868
Other equity instruments	50	<b>1,000,000,000</b>	1,000,000,000
Reserves	49	<b>31,144,523,534</b>	27,863,594,595
Retained profits		<b>11,780,607,940</b>	9,127,261,314
Total equity attributable to shareholders of the Company and holders of other equity instruments		<b>48,293,799,342</b>	42,183,523,777
Non-controlling interests		<b>237,736,093</b>	193,212,800
Total equity		<b>48,531,535,435</b>	42,376,736,577

The notes on pages 195 to 332 form part of these financial statements.

The consolidated financial statements on pages 185 to 332 were approved and authorised for issue by the board of directors on 30 March 2020.

**Shen Rujun**  
*Chairman of Board*

**Huang Zhaohui**  
*Chief Executive Officer*

*Company chop*

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

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China International Capital Corporation Limited

	Attributable to shareholders of the Company and holders of other equity instruments										
	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital (Note 49(a))	Other equity instruments (Note 50)	Capital reserve (Note 49(b)(i))	Surplus reserve (Note 49(b)(iii))	General reserves (Note 49(b)(iii))	Investment revaluation reserve (Note 49(b)(iv))	Foreign currency translation reserve (Note 49(b)(v))				
At 1 January 2019	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the year											
Profit for the year	-	-	-	-	-	-	-	4,238,719,317	4,238,719,317	9,107,513	4,247,826,830
Other comprehensive income for the year	-	-	-	-	-	149,187,384	165,151,703	-	314,339,087	-	314,339,087
Total comprehensive income for the year	-	-	-	-	-	149,187,384	165,151,703	4,238,719,317	4,553,058,404	9,107,513	4,562,165,917
Appropriation to surplus reserve	-	-	-	204,062,803	-	-	-	(204,062,803)	-	-	-
Appropriation to general reserves	-	-	-	-	653,483,029	-	-	(653,483,029)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)
Issuance of H shares	176,000,000	-	2,109,044,020	-	-	-	-	-	2,285,044,020	-	2,285,044,020
Acquisition of a subsidiary (Note 60(b))	-	-	-	-	-	-	-	-	-	44,411,965	44,411,965
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(8,996,185)	(8,996,185)
At 31 December 2019	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435

	Attributable to shareholders of the Company and holders of other equity instruments											
	Reserves										Non-controlling interests	Total equity
	Share capital (Note 49(a))	Other equity instruments (Note 50)	Capital reserve (Note 49(b)(i))	Surplus reserve (Note 49(b)(ii))	General reserves (Note 49(b)(iii))	Investment revaluation reserve (Note 49(b)(iv))	Foreign currency translation reserve (Note 49(b)(v))	Retained profits	Subtotal			
At 31 December 2017	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(135,103,088)	(355,847,026)	7,114,159,008	36,706,688,766	185,748,856	36,892,437,622	
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	15,213,647	-	(48,226,392)	(33,012,745)	-	(33,012,745)	
At 1 January 2018	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(119,889,441)	(355,847,026)	7,065,932,616	36,673,676,021	185,748,856	36,859,424,877	
Changes in equity for the year												
Profit for the year	-	-	-	-	-	-	-	3,492,157,669	3,492,157,669	42,463,944	3,534,621,613	
Other comprehensive income for the year	-	-	-	-	-	161,709,739	274,812,565	-	436,522,304	-	436,522,304	
Total comprehensive income for the year	-	-	-	-	-	161,709,739	274,812,565	3,492,157,669	3,928,679,973	42,463,944	3,971,143,917	
Appropriation to surplus reserve	-	-	-	185,426,954	-	-	-	(185,426,954)	-	-	-	
Appropriation to general reserves	-	-	-	-	572,974,932	-	-	(572,974,932)	-	-	-	
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)	
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(36,000,000)	(36,000,000)	
Issuance of H shares	207,537,059	-	2,101,457,583	-	-	-	-	-	2,308,994,642	-	2,308,994,642	
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000	
Others	-	-	-	-	(55,399,774)	-	-	55,399,774	-	-	-	
At 31 December 2018	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577	

The notes on pages 195 to 332 form part of these financial statements.



# Consolidated Statement of Cash Flows

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

2019 Annual Report

China International Capital Corporation Limited

		Year ended 31 December	
		2019	2018
			(Restated)
	Cash flows from operating activities:		
192	Profit before income tax	5,301,631,682	4,387,348,353
	Adjustments for:		
	Net interest expenses on debt securities issued and others	3,611,755,518	2,996,954,181
	Depreciation and amortisation expenses	913,235,412	301,902,598
	Impairment losses under expected credit loss model	159,597,831	74,176,168
	Net losses on disposal of property, equipment and other assets	6,165,220	11,934,189
	Foreign exchange gains	(128,163,134)	(434,989,176)
	Losses/(gains) on changes in fair value of financial instruments		
	at fair value through profit or loss	2,764,522,596	(942,601,713)
	Interest income from financial assets at fair value through other comprehensive income	(1,160,481,477)	(915,365,620)
	Dividend income from investments in financial assets,		
	and share of profits of associates and joint ventures	(183,934,701)	(160,969,378)
	Net gains on disposal of investment	(329,902,783)	(251,009,220)
	Operating cash flows before movements in working capital	10,954,426,164	5,067,380,382
	(Increase)/decrease in receivables from margin clients	(5,402,373,306)	4,528,628,700
	Increase in accounts receivable, other receivables and prepayments	(6,852,979,642)	(2,726,753,528)
	Decrease/(increase) in reverse REPOs	5,251,248,559	(5,004,233,345)
	Increase in financial instruments at fair value through profit or loss	(39,788,859,553)	(10,619,210,123)
	(Increase)/decrease in cash held on behalf of clients	(10,553,418,153)	6,328,630,073
	(Increase)/decrease in restricted bank deposits	(400,882,159)	305,593,849
	Increase in refundable deposits	(3,012,242,820)	(704,340,551)
	Increase/(decrease) in accounts payable to brokerage clients	7,019,714,725	(6,036,229,946)
	(Decrease)/increase in REPOs	(23,930,577,902)	17,937,809,498
	Increase in other liabilities	39,738,432,988	2,442,128,629
	Cash (used in)/generated from operating activities, before tax	(26,977,511,099)	11,519,403,638
	Income taxes paid	(680,321,278)	(463,310,352)
	Net cash (used in)/generated from operating activities	(27,657,832,377)	11,056,093,286

Note: From 2019 onwards, the cash flows of financial assets at fair value through other comprehensive income ("FVTOCI") are presented under "Cash flows from investing activities" in the consolidated statement of cash flows. Accordingly, the comparative figures of cash flows of FVTOCI, which were presented under "Cash flows from operating activities" in the prior year, has been reclassified to conform with the current year presentation.

	Year ended 31 December	
	2019	2018 (Restated)
Cash flows from investing activities:		
Receipts from disposal of investments	45,813,119,051	34,605,206,672
Investment returns received	1,005,047,284	689,602,248
Cash and cash equivalents from acquisition of subsidiaries	25,251,681	–
Proceeds from disposal of property, equipment and other assets	1,752,207	745,164
Purchase of investments	(39,902,385,252)	(53,877,144,126)
Purchase of property, equipment and other assets	(490,421,396)	(447,657,156)
Net cash generated from/(used in) investing activities	6,452,363,575	(19,029,247,198)
Cash flows from financing activities:		
Proceeds from issuance of beneficiary certificates	64,479,473,418	49,066,845,400
Proceeds from issuance of structured notes	10,350,739,565	6,416,379,004
Proceeds from issuance of subordinated bonds	9,500,000,000	2,500,000,000
Proceeds from issuance of medium-term notes ("MTNS")	6,734,400,000	7,152,300,000
Proceeds from corporate bonds issued	6,500,000,000	9,500,000,000
Proceeds from issuance of financial bonds	2,500,000,000	–
Proceeds from issuance of shares	2,285,044,020	2,308,994,642
Capital contribution from non-controlling interests	–	1,000,000
Repayment of beneficiary certificates	(61,273,122,933)	(46,919,649,400)
Repayment of structured notes	(5,822,951,719)	(5,056,301,166)
Repayment of MTNS	(3,449,400,000)	(1,769,912,000)
Cash paid for interest	(3,407,297,145)	(2,800,781,718)
Repayment of corporate bonds	(3,224,000,000)	(3,500,000,000)
Repayment of subordinated bonds	(2,200,000,000)	(4,000,000,000)
Dividends paid to shareholders of the Company	(670,826,859)	(670,826,859)
Repayment of lease liabilities	(532,004,072)	–
Distribution to holders of other equity instruments	(57,000,000)	(57,000,000)
Dividends paid to non-controlling interests	–	(36,000,000)
Cash outflows associated with other financing activities	(36,182,940)	(33,210,310)
Net cash generated from financing activities	21,676,871,335	12,101,837,593

# Consolidated Statement of Cash Flows

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

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China International Capital Corporation Limited

	Note	Year ended 31 December	
		2019	2018 (Restated)
Net increase in cash and cash equivalents		<b>471,402,533</b>	4,128,683,681
Cash and cash equivalents at the beginning of the year		<b>21,954,987,644</b>	17,412,367,179
Effect of exchange rate		<b>671,205,079</b>	413,936,784
Cash and cash equivalents at the end of the year	37	<b>23,097,595,256</b>	21,954,987,644
Net cash used in operating activities including:			
Interest received		<b>5,443,865,416</b>	5,193,845,327
Interest paid		<b>(1,887,262,091)</b>	(1,923,341,141)

The notes on pages 195 to 332 form part of these financial statements.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the “Company”) was established on 25 June 1995 in the People’s Republic of China (“PRC”) as approved by the People’s Bank of China (“PBOC”). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No.000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited) (“CICC Wealth Management”) in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin investment Ltd. (“Huijin”) as a consideration of the acquisition. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The Company completed general mandate of placement and issuance of 176,000,000 new H shares in October 2019. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The Company’s unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 31 December 2019, the Company has 23 securities business offices and 7 branches. Please refer to Note 60 for details of subsidiaries of the Company.

The Company and its subsidiaries (together “the Group”) are principally engaged in investment banking business, equities business, fixed-income, currency and commodity (“FICC”) business, investment management business, wealth management business and other business activities.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	<i>Leases</i>
IFRIC 23 (Note)	<i>Uncertainty over Income Tax Treatments</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>

Note: IFRIC: Interpretations issued by the IFRS Interpretations Committee of the IASB.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### (i) Impacts and changes in accounting policies of application of IFRS 16

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17") and the related interpretations.

#### **Definition of a lease**

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not to apply IFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed, on the date of initial application, whether the contracts, which already existed prior to the date of initial application, were or contained a lease.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease set out in IFRS 16 in assessing whether a contract contains a lease.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(continued)*

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

#### (i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

##### ***As a lessee***

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (1) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (2) excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- (3) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension or termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.80%.

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# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

#### (i) Impacts and changes in accounting policies of application of IFRS 16 (continued)

##### **As a lessee** (continued)

	Lease liabilities
Operating lease commitments disclosed as at 31 December 2018	1,499,512,935
Lease liabilities discounted at relevant incremental borrowing rates	1,215,486,474
Add: Extension options reasonably certain to be exercised	360,030,291
Less: Recognition exemption – short-term leases	(20,620,529)
Lease liabilities relating to operating leases recognised upon application of IFRS 16	1,554,896,236
Add: Obligations under finance leases recognised as at 31 December 2018	1,922,057
Lease liabilities as at 1 January 2019	1,556,818,293
Analysed as:	
– Current	461,551,936
– Non current	1,095,266,357
	1,556,818,293

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

#### (i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

##### **As a lessee** *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets
Right-of-use assets in relation to operating leases recognised upon application of IFRS 16		1,554,896,236
Reclassified from prepaid lease payments	(1)	1,190,265,456
Amounts included in property and equipment under IAS 17		
– Assets previously under finance leases	(2)	1,743,476
Right-of-use assets as at 1 January 2019		2,746,905,168
Analysed by type:		
– Buildings		1,597,467,973
– Leasehold land		1,147,558,409
– Equipment		1,878,786
		2,746,905,168

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# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

#### (i) Impacts and changes in accounting policies of application of IFRS 16 (continued)

##### **As a lessee (continued)**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
<b>Non-current assets</b>				
Right-of-use assets		–	2,746,905,168	2,746,905,168
Property and equipment	(2)	597,207,220	(1,743,476)	595,463,744
Other non-current assets	(1)	1,813,311,700	(1,147,558,409)	665,753,291
<b>Current assets</b>				
Other current assets	(1)	233,756,299	(42,707,047)	191,049,252
<b>Current liabilities</b>				
Lease liabilities		–	(461,551,936)	(461,551,936)
Other current liabilities		(31,914,725,434)	560,398	(31,914,165,036)
<b>Non-current liabilities</b>				
Lease liabilities		–	(1,095,266,357)	(1,095,266,357)
Other non-current liabilities		(2,078,437,686)	1,361,659	(2,077,076,027)

(1) As at 31 December 2018, the land use rights of RMB1,147,558,409 were recognised as other non-current assets and prepaid rental deposits of RMB42,707,047 were recognised as other current assets. The land use rights represented upfront payments for leasehold in Mainland China. Upon application of IFRS 16, the prepaid lease payments amounting to RMB1,190,265,456 was reclassified to right of-use assets.

(2) In relation to assets previously under finance leases, the Group recategorised the relevant assets which were still under finance leases as at 1 January 2019 with a carrying amount RMB1,743,476 as right-of-use assets.

(3) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

### (b) New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts <sup>i</sup>
Amendments to IFRS 3	Definition of a Business <sup>ii</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>iii</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>iv</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>iv</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>v</sup>

- (i) Effective for annual periods beginning on or after 1 January 2022.
- (ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- (iii) Effective for annual periods beginning on or after a date to be determined.
- (iv) Effective for annual periods beginning on or after 1 January 2020.
- (v) Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level I, II or III based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level II inputs are inputs, other than quoted prices included within Level I, that are observable for the asset or liability, either directly or indirectly; and
- Level III inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (a) Basis of consolidation

##### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Basis of consolidation *(continued)*

#### (ii) 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 financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full when preparing the 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 shareholders of the Company. 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 holders of non-controlling interests and shareholders of the Company.

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. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (a) Basis of consolidation *(continued)*

##### (ii) Subsidiaries and non-controlling interests *(continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owner of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 (see Note 3(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture. (see Note 3(a)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (iii) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the 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). 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 associate or joint venture that forms part 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 relating to the investment (see Note 3(k)). 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 the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the Group's other comprehensive income.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (iii) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures 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 an associate becomes an investment in a joint venture or vice versa, the 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 significant influence over an associate or joint control over a joint venture, 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 significant influence or joint control 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 3(e)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (b) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (c) Foreign currency

##### (i) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency used to hedge a net investment in a foreign operation that are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial assets at fair value through other comprehensive income which are recognised in other comprehensive income.

##### (ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

#### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments

#### (i) Recognition and initial measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

#### (ii) Classification and subsequent measurement

##### (1) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") (including debt investment and equity investment); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

###### (1) **Financial assets** *(continued)*

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

On initial recognition of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 34). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Financial assets – Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### (1) Financial assets (continued)

###### *Financial assets – Business model assessment (continued)*

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### *Financial assets – The "SPPI" assessment*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### (1) Financial assets *(continued)*

##### *Financial assets – Business model assessment (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### *Financial assets – Subsequent measurement and gains and losses*

##### **Financial assets classified as at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. See Note 34(a) for derivatives designated as hedging instruments.

##### **Financial assets classified as at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. For purchased or originated credit-impaired financial assets, the Group recognises interest by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

##### **Debt investments classified as at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### **Equity investments classified as at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### (2) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model and recognises loss allowances on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, reverse REPOs, trade and other receivables in accordance with IFRS 15 and loans to associates);
- debt investment measured at FVTOCI; and
- contract assets in accordance with IFRS 15.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group always recognises lifetime ECL for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component in accordance with IFRS 15 (or when the group applies the practical expedient in accordance with IFRS 15). The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### **(2) Impairment of financial assets** *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instruments or similar financial instruments with the same expected life;
- an actual or expected significant deterioration in the financial instrument's external or internal (if available) credit rating;
- an actual or expected internal credit rating downgrade for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- significant deterioration in the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements;
- an actual or expected significant deterioration in the quality of credit enhancement;
- significant changes in the expected performance and behavior of the borrower.

Irrespective of the outcome of the above assessment, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Depending on the nature of the financial instruments, the Group identifies significant changes in credit risk on individual financial instruments or a group or sub-group of financial instruments. For purpose of determining significant increases in credit risk on a collective basis, the Group groups financial instruments on the basis of shared credit risk characteristics, which may include, past-due status and credit risk ratings.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### (2) Impairment of financial assets (continued)

The Group considers a financial asset to be in default when:

- 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
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

##### (ii) Classification and subsequent measurement *(continued)*

##### (2) **Impairment of financial assets** *(continued)*

###### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are 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 data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

###### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

###### *Write-off policy*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### (3) **Financial liabilities and equity – Classification, subsequent measurement and gains and losses**

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

###### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### (iii) Derecognition

##### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

##### (iii) Derecognition *(continued)*

###### **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### (v) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e) Financial instruments *(continued)*

#### (vi) Derivative financial instruments and hedge accounting

##### (1) *Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

A derivative instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

##### (2) *Hedge accounting*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Financial instruments *(continued)*

#### (vi) Derivative financial instruments and hedge accounting *(continued)*

##### (2) **Hedge accounting** *(continued)*

##### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

#### (vi) Derivative financial instruments and hedge accounting (continued)

##### (3) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

### (f) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (g) Property and equipment

##### (i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 3(k)). Property and equipment under construction is stated at cost less impairment losses (Note 3(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress.

##### (ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of net residual value
Buildings	20 – 35 years	3% – 5%
Office equipment	2 – 5 years	0% – 10%
Furniture and fixtures	3 – 5 years	0% – 10%
Motor vehicles	3 – 5 years	0% – 10%
Leasehold improvements	Benefit period	Nil

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and net residual values are reassessed at the end of the reporting period.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property and equipment (continued)

#### (iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

### (h) Leases

#### (i) Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2(a))

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### (ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a))

##### **Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the consideration is allocated in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead to account for the lease component and any associated non-lease components as a single lease component.

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date (i.e. the date the underlying asset is available for use) and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (h) Leases *(continued)*

##### (ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) *(continued)*

###### ***Right-of-use assets***

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets, of which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term, are depreciated from commencement date to the end of the useful life.

Otherwise, a right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

###### ***Leasehold land and building***

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

###### ***Refundable rental deposits***

Refundable rental deposits paid are accounted for under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Leases (continued)

#### (ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) (continued)

##### **Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (h) Leases *(continued)*

##### (ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) *(continued)*

###### **Lease modifications**

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### (iii) The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3(q)). Contingent rentals are recognised as expenses in the periods in which they are incurred.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Leases (continued)

#### (iii) The Group as a lessee (prior to 1 January 2019) (continued)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### **Taxation**

For the purposes of measuring deferred tax arising from the recognition of right-of-use assets and related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. Temporary differences associated with right-of-use assets and lease liabilities are not recognised when the Group initially recognising the assets and liabilities and over the lease terms as a result of applying the initial recognition exemption of deferred tax under IAS 12 *Income Taxes*.

### (i) Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 3(k)).

Amortisation of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3(e)(ii)(2) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3(o)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(o)(v)).

#### (k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- right-of-use assets;
- investments in subsidiaries, associates and joint ventures; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amounts are 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 CGU).

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Impairment of non-financial assets (continued)

#### – Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (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 favorable 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.

### (l) Provisions and contingent liabilities

Provisions are recognised when the Group 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.

### (m) Employee benefits

#### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Employee benefits *(continued)*

##### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

##### (iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

#### (n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

#### (o) Revenue from contracts with customers and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Revenue from contracts with customers and other income (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a variable consideration, the Group estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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 IFRS 15 *Revenue from contracts with customers* 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:

#### (i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees

Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.

Depending on the nature of the services and the contract terms, financial advisory fees and investment advisory fees are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (o) Revenue from contracts with customers and other income *(continued)*

##### (ii) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

##### (iii) Brokerage commission income

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed. Commission income from leasing out trading seats is recognised when the related services are rendered.

##### (iv) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

##### (v) Interest income

Interest income is recognised in profit or loss by using the effective interest method. For financial assets measured at amortised cost or debt securities measured at FVTOCI 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (p) Expenses recognition

#### (i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

#### (ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

#### (iii) Other expenses

Other expenses are recognised on an accrual basis.

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (r) Income tax

Income tax expense 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 amount 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 year, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (r) Income tax *(continued)*

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 related to 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 year 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.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (r) Income tax *(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 settle the current tax assets and the current tax liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

### (s) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the year are not recognised as a liability at the end of the year but disclosed separately in the notes to the consolidated financial statements.

### (t) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (u) Related parties

##### (i) A person, or a close member of that person's family, is related to the Group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) 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:

- (1) 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);
- (2) 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);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (6) The entity is controlled or jointly controlled by a person identified in Note 3(u)(i);
- (7) A person identified in Note 3(u)(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).

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.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Fair value of financial instruments

As indicated in Note 3(e)(i), financial instruments at fair value is measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(e)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### (b) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

### (c) Impairment of goodwill

The Group assesses the recoverable amount of the goodwill at the end of year and performs impairment test no matter whether there is indication that the unit may be impaired or not.

The recoverable amount of a CGU (or group of CGUs) is the greater of its fair value less costs of disposal and value in use. In assessing the present value of expected future cash flows, significant judgements are exercised over the asset's selling price, related operating revenue and expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related revenue and operating expenses based on reasonable and supportable assumption.

### (d) Measurement and recognition of ECLs

The measurement of the expected credit loss allowance for debt instruments investments of financial assets measured at amortised cost and FVTOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

See Note 57(a) for more details on ECL.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### (e) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

## 5. TAXATION

### (a) Value-added tax ("VAT") and surcharges

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

### (b) Income tax

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong special Administrative Region ("Hong Kong SAR") is 16.5%. Taxes of other subsidiaries are charged at the relevant local rates.

## 6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2019	2018
Brokerage commission income	<b>3,878,042,278</b>	3,323,653,153
Underwriting and sponsoring fees	<b>3,721,672,193</b>	2,711,647,800
Asset management fees	<b>2,001,492,975</b>	1,779,149,564
Financial advisory fees	<b>674,668,431</b>	561,035,561
Investment advisory fees	<b>424,706,208</b>	405,860,342
Others	<b>32,470,179</b>	39,057,796
Total	<b>10,733,052,264</b>	8,820,404,216

The remaining performance obligation is recognised as contract liabilities as at 31 December 2019 and disclosed in Note 47. Except for otherwise stated, there is no significant remaining performance obligation. Therefore, other information associated with the remaining performance obligations is not disclosed.

## 7. INTEREST INCOME

	Year ended 31 December	
	2019	2018
Interest income from margin financing and securities lending	<b>1,461,146,778</b>	1,490,289,580
Interest income from financial institutions	<b>1,379,020,348</b>	1,362,563,543
Interest income from financial assets at fair value through other comprehensive income	<b>1,160,481,477</b>	915,365,620
Interest income from reverse REPOs	<b>724,518,298</b>	797,528,479
Others	<b>75,021,152</b>	21,178,090
Total	<b>4,800,188,053</b>	4,586,925,312

## 8. INVESTMENT INCOME

	Year ended 31 December	
	2019	2018
Net gains from disposal of financial assets at fair value through other comprehensive income	<b>200,589,971</b>	184,090,116
Net gains/(losses) from financial instruments at fair value through profit or loss	<b>13,485,522,358</b>	(2,833,298,755)
Net (losses)/gains from derivative financial instruments	<b>(6,726,172,403)</b>	7,190,275,075
Others	<b>(1,297,126)</b>	–
Total	<b>6,958,642,800</b>	4,541,066,436

## 9. OTHER INCOME, NET

	Notes	Year ended 31 December	
		2019	2018
Tax refunds		<b>29,738,215</b>	25,238,271
Government grants	(i)	<b>104,880,736</b>	90,757,862
Others	(ii)	<b>156,008,485</b>	475,261,763
Total		<b>290,627,436</b>	591,257,896

(i) The government grants were received by the Company and its subsidiaries from the local governments where they reside with no condition attached.

(ii) Others are mainly related to gains resulting from foreign exchange rates fluctuation.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

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## 10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2019	2018
Brokerage commission expenses	899,443,687	706,442,451
Underwriting and sponsoring expenses	148,752,820	101,326,611
Asset management expenses	135,078,063	60,776,082
Investment advisory expenses	3,056,157	60,357
Total	1,186,330,727	868,605,501

## 11. INTEREST EXPENSES

	Year ended 31 December	
	2019	2018
Interest expenses on:		
– Corporate bonds	1,556,628,404	1,383,773,551
– REPOs	1,009,619,621	1,088,111,020
– Subordinated bonds	819,653,736	703,127,467
– Placements from financial institutions	765,511,832	482,824,966
– MTNs	465,437,671	261,143,847
– Beneficiary certificates	414,869,689	483,210,914
– Accounts payable to brokerage clients	164,291,750	171,114,853
– Structured notes	137,646,887	57,964,122
– Lease liabilities	73,500,946	–
– Financial bonds	30,649,315	–
– Others	457,703,568	239,614,274
Total	5,895,513,419	4,870,885,014

## 12. STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonus and allowance	6,469,209,630	5,072,150,634
Retirement scheme contributions	285,900,064	269,056,094
Other social welfare	324,308,118	279,882,850
Other benefits	123,463,742	116,755,342
Total	7,202,881,554	5,737,844,920

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain rates of wages. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

### 13. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

Name	Year ended 31 December 2019				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
<b>Executive Director</b>					
Bi Mingjian (ii)	–	1,680,215	9,271,708	50,055	11,001,978
<b>Non-executive Director</b>					
Shen Rujun (iii)	–	–	–	–	–
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Cha Mou Daid Johnson	–	–	–	–	–
<b>Independent Non-executive Director</b>					
Edwin Roca Lim	546,920	–	–	–	546,920
Siu Wai Keung	577,270	–	–	–	577,270
Ben Shenglin	517,600	–	–	–	517,600
Liu Li	532,400	–	–	–	532,400
<b>Supervisor</b>					
Gao Tao (iv)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	263,400	–	–	–	263,400
Total	2,437,590	1,680,215	9,271,708	50,055	13,439,568

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 13. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Directors' and supervisors' remuneration is as follows: (continued)

	Year ended 31 December 2018				
		Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Name	Fees				
<b>Executive Director</b>					
Bi Mingjian (ii)	–	1,651,015	6,365,046	55,312	8,071,373
<b>Non-executive Director</b>					
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Cha Mou Daid Johnson	–	–	–	–	–
<b>Independent Non-executive Director</b>					
Edwin Roca Lim	525,000	–	–	–	525,000
Siu Wai Keung	550,200	–	–	–	550,200
Ben Shenglin	517,400	–	–	–	517,400
Liu Li	535,600	–	–	–	535,600
<b>Supervisor</b>					
Gao Tao (iv)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	267,200	–	–	–	267,200
Total	2,395,400	1,651,015	6,365,046	55,312	10,466,773

- (i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.
- (ii) The remuneration of Mr. Bi Mingjian includes the compensation for the services provided by Mr. Bi Mingjian acting as the Chief Executive Officer of the Company.
- (iii) Appointed as non-executive Director and Chairman of the Board in August 2019.
- (iv) The remuneration of Mr. Gao Tao with the Group in accordance with the employee remuneration system is not included.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

## 14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in 2019, one is a director whose emoluments are disclosed (see Note 13), none of the five individuals with the highest emoluments in 2018 are directors or supervisors of the Company. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2019	2018
Salaries and other emoluments	<b>9,808,939</b>	7,961,426
Discretionary bonuses	<b>78,390,645</b>	117,463,622
Retirement scheme contributions	<b>307,541</b>	344,510
Total	<b>88,507,125</b>	125,769,558

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
From RMB16,000,001 to RMB16,500,000	<b>1</b>	–
From RMB17,000,001 to RMB17,500,000	<b>1</b>	–
From RMB17,500,001 to RMB18,000,000	<b>1</b>	–
From RMB18,000,001 to RMB18,500,000	<b>1</b>	–
From RMB19,500,001 to RMB20,000,000	<b>1</b>	–
From RMB23,500,001 to RMB24,000,000	–	2
From RMB24,500,001 to RMB25,000,000	–	1
From RMB26,000,001 to RMB26,500,000	–	1
From RMB27,500,001 to RMB28,000,000	–	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 15. DEPRECIATION AND AMORTISATION EXPENSES

	Year ended 31 December	
	2019	2018
Depreciation of right-of-use assets	562,955,633	–
Depreciation of property and equipment	258,573,159	208,712,106
Depreciation of land use right	–	31,463,837
Amortisation of intangible assets	90,250,322	59,934,073
Others	1,456,298	1,792,582
Total	913,235,412	301,902,598

## 16. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2019	2018
Business development expenses	636,645,423	607,142,499
Information technology related expenses	335,173,436	319,229,759
Travelling and transportation expenses	325,239,262	266,254,081
Professional service fees	152,286,022	145,448,354
Utilities and maintenance	78,692,034	67,794,876
Lease expense	57,906,991	602,170,044
Securities Investor Protection Fund	54,930,738	51,793,044
Auditors' remuneration	11,424,141	11,944,000
Others	447,032,346	273,359,242
Total	2,099,330,393	2,345,135,899

## 17. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2019	2018
Impairment losses recognised/(reversed) for:		
Accounts receivable and other non-current assets	187,940,007	31,617,778
Receivable from margin clients	18,772,123	(1,577,236)
Reverse REPOs	(43,196,309)	36,561,081
Financial assets at fair value through other comprehensive income	(3,369,149)	6,730,579
Cash and bank balances	(548,841)	843,966
Total	159,597,831	74,176,168

## 18. INCOME TAX EXPENSE

### (a) Taxation in the consolidated statement of profit or loss:

	Year ended 31 December	
	2019	2018
Current tax		
– Mainland China income tax	612,820,743	706,466,248
– Hong Kong SAR profits tax	299,442,863	166,054,436
Subtotal	912,263,606	872,520,684
Deferred tax		
– Origination and reversal of temporary differences	141,541,246	(19,793,944)
Total	1,053,804,852	852,726,740

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable outside Mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation between income tax expenses that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	5,301,631,682	4,387,348,353
Income tax calculated at the PRC statutory income tax rate	1,325,407,921	1,096,837,088
Effect of non-deductible expenses	27,452,308	26,490,774
Effect of non-taxable income	(223,485,910)	(122,344,271)
Effect of different applicable tax rates of the subsidiaries	(186,059,764)	(128,219,368)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognised this year	47,346,584	28,182,384
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(30,514,880)	(17,635,627)
Others	93,658,593	(30,584,240)
Total income tax expense	1,053,804,852	852,726,740

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 19. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY AND HOLDERS OF OTHER EQUITY INSTRUMENTS

The profit attributable to shareholders of the Company and holders of other equity instruments includes a profit of RMB2,040,628,027 and RMB1,854,269,544 which have been dealt with in the financial statements of the Company in 2019 and 2018, respectively (see Note 59(b)).

## 20. BASIC EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company and holders of other equity instruments	<b>4,238,719,317</b>	3,492,157,669
Interest for holders of perpetual subordinated bonds for the year	<b>(57,000,000)</b>	(57,000,000)
Total	<b>4,181,719,317</b>	3,435,157,669
Weighted average number of ordinary shares in issue (Note)	<b>4,222,001,201</b>	4,140,783,603
Basic earnings per share (in RMB per share)	<b>0.99</b>	0.83

Note: In October 2019, the Company issued 176,000,000 new H shares at a price of HKD14.40 per share with par value of RMB1.00. Accordingly, the registered capital and share capital of the Company increased to RMB4,368,667,868.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the years 2019 and 2018 as the Group had no potential ordinary shares in issue during the periods.

## 21. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16	-	(8,740,873)	-	-	-	-	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Acquired on acquisition of a subsidiary	-	437,762	206,550	-	-	-	644,312
Additions and transfer-in	-	227,455,811	20,334,190	283,879	150,983,636	22,172,883	421,230,399
Transfer – out	-	-	-	-	-	(21,027,999)	(21,027,999)
Disposals	-	(60,124,832)	(9,013,786)	(8,517,249)	(111,841,482)	-	(189,497,349)
Effect of changes in foreign exchange rate	-	4,336,268	292,871	13,109	3,227,919	-	7,870,167
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
<b>Accumulated depreciation</b>							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	-	(1,736,851,475)
Adjustment for initial application of IFRS 16	-	6,997,397	-	-	-	-	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	-	(1,729,854,078)
Acquired on acquisition of a subsidiary	-	(251,055)	(106,123)	-	-	-	(357,178)
Additions	(4,360,937)	(162,310,495)	(11,104,681)	(4,437,978)	(76,359,068)	-	(258,573,159)
Disposals	-	56,547,817	7,983,255	6,127,738	110,850,875	-	181,509,685
Effect of changes in exchange rate	-	(3,446,652)	(442,195)	(13,109)	(3,853,946)	-	(7,755,902)
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	-	(1,815,030,632)
<b>Carrying amount</b>							
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 21. PROPERTY AND EQUIPMENT (continued)

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
<b>Cost</b>							
As at 1 January 2018	85,992,204	1,163,675,156	80,584,668	64,896,377	661,324,246	1,800,808	2,058,273,459
Additions and transfer-in	5,337,788	206,569,086	15,885,152	–	102,716,943	10,667,160	341,176,129
Transfer – out	–	–	–	–	–	(7,098,713)	(7,098,713)
Disposals	–	(59,649,451)	(4,308,266)	(1,951,429)	(5,355,290)	–	(71,264,436)
Effect of changes in exchange rates	–	7,480,227	457,548	26,981	5,007,500	–	12,972,256
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
<b>Accumulated depreciation</b>							
As at 1 January 2018	(28,416,967)	(880,161,655)	(65,593,121)	(39,887,369)	(569,280,943)	–	(1,583,340,055)
Additions	(4,346,337)	(132,118,538)	(7,030,711)	(7,459,813)	(57,756,707)	–	(208,712,106)
Disposals	–	53,155,330	4,067,515	369,502	5,191,717	–	62,784,064
Effect of changes in exchange rates	–	(3,481,185)	(424,110)	(26,981)	(3,651,102)	–	(7,583,378)
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
<b>Carrying amount</b>							
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220
As at 31 December 2017	57,575,237	283,513,501	14,991,547	25,009,008	92,043,303	1,800,808	474,933,404

## 22. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
<b>Cost</b>				
As at 1 January 2019	1,597,467,973	1,266,558,879	1,878,786	2,865,905,638
Increases	434,674,329	–	899,021	435,573,350
Decreases	(20,356,964)	–	(1,938,443)	(22,295,407)
Effect of changes in foreign exchange rate	12,057,971	–	52,085	12,110,056
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
<b>Accumulated depreciation</b>				
As at 1 January 2019	–	(119,000,470)	–	(119,000,470)
Increases	(529,574,219)	(32,910,658)	(470,756)	(562,955,633)
Decreases	4,047,432	–	140,836	4,188,268
Effect of changes in foreign exchange rate	(9,997,046)	–	(19,885)	(10,016,931)
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
<b>Carrying amount</b>				
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16				57,906,991
Total cash outflow for leases				670,930,219

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(Expressed in RMB, unless otherwise stated)

## 22. RIGHT-OF-USE ASSETS (continued)

### (a) Leases committed

As at 31 December 2019, the Group entered into new leases that are not yet commenced, with average non-cancellable period ranged from 1 to 5 years with extension options, the total future undiscounted cash flows under which amounted to RMB46,513,649 over the non-cancellable period.

Details of the lease maturity analysis of lease liabilities are disclosed in Note 57(b).

## 23. GOODWILL

### (a) Changes in goodwill

	Year ended 31 December	
	2019	2018
At the beginning of the year	1,582,678,646	1,582,678,646
Additions for the year	–	–
Subtotal	1,582,678,646	1,582,678,646
Less: Allowance for impairment losses	–	–
Carrying amount	1,582,678,646	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid the consideration amounting to RMB16,700,695,000 as the cost of the acquisition. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

### (b) Impairment test

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilizing strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the CGU of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU's past performance and management's expectations for market development) approved by management covering certain period, cash flows beyond certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Pre-tax discount rates used by the Group range from 16% to 17%.

As at 31 December 2019, the Group performed its annual goodwill impairment test. There was no impairment recognised for the goodwill related to the aforesaid CGU since the recoverable amounts were greater than its carrying amount.

## 24. INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
<b>Cost</b>			
As at 1 January 2019	163,989,047	363,140,177	527,129,224
Additions	–	103,110,556	103,110,556
Disposal	–	(56,197)	(56,197)
Effect of changes in exchange rates	19,580	34,345	53,925
As at 31 December 2019	164,008,627	466,228,881	630,237,508
<b>Accumulated amortisation</b>			
As at 1 January 2019	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(8,483,824)	(81,766,498)	(90,250,322)
Disposal	–	49,968	49,968
Effect of changes in exchange rates	–	(32,914)	(32,914)
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
<b>Carrying amount</b>			
As at 31 December 2019	63,118,283	221,982,376	285,100,659
As at 31 December 2018	71,582,527	200,643,116	272,225,643

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 24. INTANGIBLE ASSETS (continued)

	Securities trading seat rights	Others	Total
<b>Cost</b>			
As at 1 January 2018	163,948,747	263,603,732	427,552,479
Additions	–	109,250,314	109,250,314
Disposal	–	(9,804,704)	(9,804,704)
Effect of changes in exchange rates	40,300	90,835	131,135
As at 31 December 2018	163,989,047	363,140,177	527,129,224
<b>Accumulated amortisation</b>			
As at 1 January 2018	(84,445,428)	(115,901,076)	(200,346,504)
Additions	(7,961,092)	(51,972,981)	(59,934,073)
Disposal	–	5,442,150	5,442,150
Effect of changes in exchange rates	–	(65,154)	(65,154)
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
<b>Carrying amount</b>			
As at 31 December 2018	71,582,527	200,643,116	272,225,643
As at 31 December 2017	79,503,319	147,702,656	227,205,975

As at 31 December 2019 and 2018, others mainly included computer software used by the Group.

## 25. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2019	2018
Share of net assets		
– Associates	<b>624,355,553</b>	716,557,648
– Joint ventures	<b>544,121,104</b>	550,392,940
Total	<b>1,168,476,657</b>	1,266,950,588

The following list contains only the particulars of the major associate which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Zheshang Jinhui Trust Co., Ltd. ("Zheshang Jinhui") (Note)	Incorporated	Hangzhou, PRC	RMB 1,700,000,000	17.5%	17.5%	–	Trust business

Note: The Company holds 17.5% equity interest of Zheshang Jinhui but has significant influence over Zheshang Jinhui as it can appoint members in Zheshang Jinhui's Board of Directors. Zheshang Jinhui is accounted for as an associate of the Company.

The summary financial information of the Group's major associate and the reconciliation between the financial information of other associates and joint ventures and their carrying amounts in the Group's financial statements are disclosed below:

### (a) Zheshang Jinhui

	As at 31 December 2019	2018
Financial information of the associate		
– Assets	<b>2,501,050,258</b>	2,970,828,482
– Liabilities	<b>325,549,983</b>	898,203,897
– Net assets	<b>2,175,500,275</b>	2,072,624,585
– Operating income	<b>750,962,871</b>	740,684,327
– Net profit	<b>105,826,347</b>	157,378,125
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	<b>2,175,500,275</b>	2,072,624,585
Group's effective interest	<b>17.5%</b>	17.5%
Group's share of net assets of the associate	<b>380,712,548</b>	362,709,302
Carrying amount in the consolidated financial statements	<b>380,712,548</b>	362,709,302

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 25. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

### (b) Aggregate information of other associates and joint ventures:

	As at 31 December	
	2019	2018
Aggregate carrying amount of Group's interests in other associates and joint ventures in the consolidated financial statements	787,764,109	904,241,286
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	42,399,835	91,023,512
– Total comprehensive income	42,296,557	91,023,512

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Analysed by type:

#### Non-current

	As at 31 December	
	2019	2018
Equity securities	3,685,728,809	2,446,425,365
Funds and other investments	33,878,466	24,894,332
Total	3,719,607,275	2,471,319,697

#### Current

	As at 31 December	
	2019	2018
Equity securities	66,003,797,677	24,746,482,555
Debt securities (Note)	76,130,839,312	67,883,079,318
Funds and other investments	22,337,649,857	19,684,021,559
Total	164,472,286,846	112,313,583,432

Note: As at 31 December 2019, perpetual bonds amounting to RMB14,055,982,894 are included in debt securities (31 December 2018: RMB8,112,238,278).

**26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *(continued)***(b) Analysed by listing status:****Non-current**

	As at 31 December	
	2019	2018
Listed		
– Outside Hong Kong, China	<b>613,851,417</b>	38,468,152
Unlisted	<b>3,105,755,858</b>	2,432,851,545
Total	<b>3,719,607,275</b>	2,471,319,697

**Current**

	As at 31 December	
	2019	2018
Listed		
– In Hong Kong, China	<b>13,743,433,216</b>	7,810,781,597
– Outside Hong Kong, China	<b>127,010,033,129</b>	89,856,945,279
Unlisted	<b>23,718,820,501</b>	14,645,856,556
Total	<b>164,472,286,846</b>	112,313,583,432



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS")

### (a) Analysed by collateral type:

#### Non-current

	As at 31 December	
	2019	2018
Stocks	235,314,895	719,914,040
Accrued interests	6,374,726	21,722,422
Less: Allowance for impairment losses	(81,343)	(2,565,980)
Total	241,608,278	739,070,482

#### Current

	As at 31 December	
	2019	2018
Stocks	7,329,305,168	9,776,785,226
Debt securities	6,641,075,887	8,960,245,243
Subtotal	13,970,381,055	18,737,030,469
Accrued interests	117,464,377	176,135,712
Less: Allowance for impairment losses	(30,516,797)	(71,228,469)
Total	14,057,328,635	18,841,937,712

### (b) Analysed by market:

#### Non-current

	As at 31 December	
	2019	2018
Over-the-counter market	176,557,687	201,228,657
Stock exchanges	65,050,591	537,841,825
Total	241,608,278	739,070,482

## 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS") (continued)

### (b) Analysed by market: (continued)

#### Current

	As at 31 December	
	2019	2018
Stock exchanges	13,150,771,156	15,586,379,259
Over-the-counter market	646,292,677	1,100,430,433
Inter-bank market	260,264,802	2,155,128,020
Total	14,057,328,635	18,841,937,712

The Group received securities as collateral in connection with financial assets under resale agreements. As part of the resale agreements, the Group received securities allowed to be sold or re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 31 December 2019, the Group received collateral amounted to RMB30,327 million (31 December 2018: RMB33,860 million), in connection with financial assets under resale agreements.

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

## 28. REFUNDABLE DEPOSITS

	As at 31 December	
	2019	2018
Self-owned refundable deposits	2,216,126,145	1,385,531,190
Refundable deposits held on behalf of clients	4,285,643,372	2,103,995,507
Subtotal	6,501,769,517	3,489,526,697
Accrued interests	324,337	409,812
Total	6,502,093,854	3,489,936,509

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 29. DEFERRED TAX ASSETS/(LIABILITIES)

### (a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	As at 1 January 2019	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2019		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/ (liabilities) before set-off:							
Staff cost	1,085,463,782	(255,253,554)	–	94,604	830,304,832	830,304,832	–
Deductible tax losses	29,868,168	3,543,610	–	317,970	33,729,748	33,729,748	–
Depreciation and amortisation	(22,681,482)	(7,542,853)	–	51,176	(30,173,159)	–	(30,173,159)
Changes in fair values of financial instruments at fair value through profit or loss	(216,202,730)	134,633,916	–	3,510,228	(78,058,586)	–	(78,058,586)
Changes in fair values of financial assets at fair value through other comprehensive income	(35,189,455)	–	(16,773,661)	(1,475,852)	(53,438,968)	–	(53,438,968)
Fair value adjustment arising from acquisition of a subsidiary	(182,718,694)	7,725,185	–	–	(174,993,509)	–	(174,993,509)
Others	227,592,044	(24,647,550)	377,587	(2,135,884)	201,186,197	201,186,197	–
Subtotal	886,131,633	(141,541,246)	(16,396,074)	362,242	728,556,555	1,065,220,777	(336,664,222)
Set off						24,724,955	(24,724,955)
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position						1,089,945,732	(361,389,177)

**29. DEFERRED TAX ASSETS/(LIABILITIES)** *(continued)***(a) Deferred tax assets and liabilities recognised** *(continued)*

	As at 31 December 2017	Adjustment on initial application of IFRS 9	As at 1 January 2018	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2018		
							Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:									
Staff cost	1,161,806,337	–	1,161,806,337	(76,722,973)	–	380,418	1,085,463,782	1,085,463,782	–
Deductible tax losses	21,874,486	–	21,874,486	7,042,446	–	951,236	29,868,168	29,868,168	–
Depreciation and amortisation	4,422,309	–	4,422,309	(27,110,316)	–	6,525	(22,681,482)	–	(22,681,482)
Changes in fair values of financial instruments at fair value through profit or loss	(249,930,662)	(22,715,731)	(272,646,393)	56,849,881	–	(406,218)	(216,202,730)	–	(216,202,730)
Changes in fair values of available- for-sale financial assets	10,918,153	(10,918,153)	–	–	–	–	–	–	–
Changes in fair values of financial assets at fair value through other comprehensive income	–	33,639,707	33,639,707	–	(68,829,162)	–	(35,189,455)	–	(35,189,455)
Fair value adjustment arising from acquisition of a subsidiary	(191,661,156)	–	(191,661,156)	8,942,462	–	–	(182,718,694)	–	(182,718,694)
Others	166,946,763	10,821,787	177,768,550	50,792,444	(1,130,442)	161,492	227,592,044	227,592,044	–
Subtotal	924,376,230	10,827,610	935,203,840	19,793,944	(69,959,604)	1,093,453	886,131,633	1,342,923,994	(456,792,361)
Set off								(185,926,267)	185,926,267
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position								1,156,997,727	(270,866,094)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 29. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

### (b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of deductible temporary differences and cumulative tax losses amounted to RMB265 million and RMB230 million as at 31 December 2019 and 2018, respectively.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

## 30. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
Rental and other deposits	149,502,348	139,676,337
Land use rights	–	1,147,558,409
Others	1,182,702,966	535,918,287
Subtotal	1,332,205,314	1,823,153,033
Less: Allowance for impairment losses	(16,605,515)	(9,841,333)
Total	1,315,599,799	1,813,311,700

## 31. ACCOUNTS RECEIVABLE

### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Trade receivable (Note)	15,311,390,897	9,450,000,604
Asset management fees receivable	1,440,190,809	1,030,013,910
Underwriting and advisory fees receivable	1,105,783,772	685,158,179
Trading seat rental fees receivable	137,142,963	110,770,523
Others	115,351,950	157,307,244
Subtotal	18,109,860,391	11,433,250,460
Less: Allowance for impairment losses	(233,301,015)	(64,488,653)
Total	17,876,559,376	11,368,761,807

Note: Trade receivable mainly consisted of receivables from exchanges and brokers for trade settlements and from counterparties of derivative trading and deposits for securities lending.

### (b) Analysed by aging:

	As at 31 December 2019			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	17,173,548,745	94.83%	(117,707,701)	50.45%
1 – 2 years (inclusive)	494,208,241	2.73%	(65,141,935)	27.92%
2 – 3 years (inclusive)	198,795,635	1.10%	(23,087,909)	9.90%
More than 3 years	243,307,770	1.34%	(27,363,470)	11.73%
Total	18,109,860,391	100.00%	(233,301,015)	100.00%

	As at 31 December 2018			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	10,665,767,987	93.29%	(38,448,699)	59.62%
1 – 2 years (inclusive)	421,694,811	3.69%	(1,687,683)	2.62%
2 – 3 years (inclusive)	134,463,054	1.18%	(528,676)	0.82%
More than 3 years	211,324,608	1.84%	(23,823,595)	36.94%
Total	11,433,250,460	100.00%	(64,488,653)	100.00%

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 32. RECEIVABLE FROM MARGIN CLIENTS

### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Individuals	20,190,212,792	15,992,254,837
Institutions	2,556,491,253	1,364,577,500
Subtotal	22,746,704,045	17,356,832,337
Accrued interests	486,198,955	383,309,440
Less: Allowance for impairment losses	(42,952,110)	(23,931,810)
Total	23,189,950,890	17,716,209,967

As at 31 December 2019, the principal amount of receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB2.00 billion (31 December 2018: RMB2.00 billion). The securitisation vehicle issued asset-backed securities to investors with the receivable from margin clients as the underlying assets, of which all subordinated tranche were held by the Group.

### (b) Analysed by fair value of collaterals:

	As at 31 December	
	2019	2018
Stocks	65,923,431,986	40,535,814,487
Cash	2,191,069,017	1,069,744,805
Funds	312,290,301	226,341,434
Debt securities	69,326,087	33,822,536
Total	68,496,117,391	41,865,723,262

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

### 33. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### (a) Analysed by type:

	As at 31 December	
	2019	2018
At fair value		
– Debt securities	<b>28,985,823,339</b>	35,699,665,877

#### (b) Analysed by listing status:

	As at 31 December	
	2019	2018
Listed		
– In Hong Kong, China	<b>2,913,953,460</b>	3,089,749,567
– Outside Hong Kong, China	<b>26,062,869,879</b>	32,609,916,310
Unlisted	<b>9,000,000</b>	–
Total	<b>28,985,823,339</b>	35,699,665,877

Note : Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 31 December 2019		
	Notional amount	Fair value Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	24,640,000,000	288,002,265	–
Non-hedging instruments			
– Interest rate contracts	70,954,087,992	270,908,718	(326,465,411)
– Currency contracts	38,246,090,870	209,882,716	(351,243,297)
– Equity contracts	120,463,872,756	3,237,022,236	(5,302,698,832)
– Credit contracts	740,682,000	2,283,489	(13,182,890)
– Other contracts (Note)	22,904,072,395	555,934,539	(370,985,627)
Total	277,948,806,013	4,564,033,963	(6,364,576,057)
Less: Settlement		(61,829,705)	2,384,056
Net position		4,502,204,258	(6,362,192,001)

	As at 31 December 2018		
	Notional amount	Fair value Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	26,100,000,000	491,128,609	–
Non-hedging instruments			
– Interest rate contracts	56,217,846,128	336,424,488	(427,536,439)
– Currency contracts	19,241,583,018	99,619,314	(106,023,948)
– Equity contracts	76,343,769,429	4,416,901,451	(2,728,859,874)
– Credit contracts	1,247,017,363	5,872,825	(9,888,657)
– Other contracts (Note)	12,361,224,344	182,596,498	(188,281,339)
Total	191,511,440,282	5,532,543,185	(3,460,590,257)
Less: Settlement		(3,007,037)	79,380,388
Net position		5,529,536,148	(3,381,209,869)

Note: Other derivatives mainly include commodity options and commodity futures, etc.

### 34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

The notional amount of derivative financial instruments represents the volume of transactions that has not been completed but does not reflect the risk undertaken by the Group.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "Deposits with clearing houses". Accordingly, the Group did not hold any net position of the above contracts at 31 December 2019 (31 December 2018: Nil).

As at 31 December 2019, the positive fair value of the unexpired commodity futures contracts and stock index futures contracts held by the Group is RMB61,829,705 (31 December 2018: the positive fair value of the unexpired commodity futures contracts and treasury bond futures contracts held by the Group is RMB3,007,037); the negative fair value of the unexpired treasury bond futures contract held by the Group is RMB2,384,056 (31 December 2018: the negative fair value of the unexpired stock index futures held by the Group is RMB79,380,388).

#### (a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest rate risk of corporate bonds and subordinated bonds issued.

The (losses)/gains of the hedging instruments and hedged items are presented as follows:

	As at 31 December	
	2019	2018
(Losses)/gains arising from fair value hedges, net:		
– Interest rate contracts	(105,770,742)	620,064,733
– Hedged items attributable to the hedged risk	159,362,265	(585,065,745)
Total	53,591,523	34,998,988

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

### (a) Hedging instruments (continued)

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 31 December 2019			
	Less than 6 months	6 months to 12 months	More than 12 months	Total
Hedging instruments-interest rate contracts	6,450,000,000	8,600,000,000	9,590,000,000	24,640,000,000

	As at 31 December 2018			
	Less than 6 months	6 months to 12 months	More than 12 months	Total
Hedging instruments-interest rate contracts	–	–	26,100,000,000	26,100,000,000

Details of the Group's hedged risk exposure in fair value hedges are set out below:

Bonds Payable	As at 31 December	
	2019	2018
Carrying amount of hedged items	25,395,517,892	27,223,526,149
Including: Accumulated adjustments to the fair value of hedged items	376,385,675	539,674,670

## 35. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified their brokerage clients' monies as cash held on behalf of clients under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In Mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong SAR, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 36. CASH AND BANK BALANCES

	As at 31 December	
	2019	2018
Cash on hand	227,924	245,730
Deposits with banks	20,448,205,535	20,120,201,092
Deposits with clearing houses	3,463,005,629	2,247,502,495
Subtotal	23,911,439,088	22,367,949,317
Accrued interests	47,784,140	57,382,787
Less: Allowance for impairment losses	(294,558)	(843,942)
Total	23,958,928,670	22,424,488,162

### 37. CASH AND CASH EQUIVALENTS

#### (a) Cash and cash equivalents comprise:

	As at 31 December	
	2019	2018
Cash on hand	227,924	245,730
Deposits with banks	20,448,205,535	20,120,201,092
Deposits with clearing houses	3,463,005,629	2,247,502,495
Subtotal	23,911,439,088	22,367,949,317
Less: Restricted bank deposits	(813,843,832)	(412,961,673)
Total	23,097,595,256	21,954,987,644

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 37. CASH AND CASH EQUIVALENTS (continued)

### (b) Reconciliation of liabilities arising from financing activities:

	As at 1 January 2019	Cash flows	Non-cash changes			As at 31 December 2019
			(Transferred out)/ transferred in	Interests, amortisation and effect of changes in foreign exchange rate	Fair value changes	
Short-term debt securities issued	14,061,377,785	6,576,381,766	-	602,575,318	-	21,240,334,869
Long-term debt securities issued due within one year	12,993,890,883	(10,354,722,972)	18,064,283,956	1,213,030,343	(110,396,534)	21,806,085,676
Long-term debt securities issued	48,998,790,985	24,637,441,402	(18,064,283,956)	2,064,066,909	(50,746,626)	57,585,268,714
Total liabilities arising from financing activities	76,054,059,653	20,859,100,196	-	3,879,672,570	(161,143,160)	100,631,689,259

	As at 1 January 2018	Cash flows	Non-cash changes			As at 31 December 2018
			(Transferred out)/ transferred in	Interests, amortisation and effect of changes in foreign exchange rate	Fair value changes	
Short-term debt securities issued	10,626,880,896	2,990,917,949	(19,799,121)	463,378,061	-	14,061,377,785
Long-term debt securities issued due within one year	5,098,498,424	(5,225,699,493)	12,923,176,966	197,914,986	-	12,993,890,883
Long-term debt securities issued	44,835,943,007	12,897,400,343	(12,903,377,845)	3,583,759,735	585,065,745	48,998,790,985
Total liabilities arising from financing activities	60,561,322,327	10,662,618,799	-	4,245,052,782	585,065,745	76,054,059,653

**38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 31 December 2019		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	3,067,219,649	20,673,051,510	23,740,271,159
Debt securities	833,356,562	1,963,383,218	2,796,739,780
Funds and others	33,307,915	–	33,307,915
<b>Total</b>	<b>3,933,884,126</b>	<b>22,636,434,728</b>	<b>26,570,318,854</b>

	As at 31 December 2018		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	3,324,981,139	8,773,289,241	12,098,270,380
Debt securities	918,861,787	2,077,116,104	2,995,977,891
<b>Total</b>	<b>4,243,842,926</b>	<b>10,850,405,345</b>	<b>15,094,248,271</b>

Note (1): As at 31 December 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

Note (2): The Group's financial liabilities designated at fair value through profit or loss are mainly are equity instruments, and their balance/gain and loss is linked to stock, index and etc.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 39. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2019	2018
Clients' deposits for brokerage trading	<b>43,942,755,339</b>	37,472,041,393
Clients' deposits for margin financing and securities lending	<b>4,387,247,232</b>	3,838,246,453
Subtotal	<b>48,330,002,571</b>	41,310,287,846
Accrued interests	<b>7,869,600</b>	7,616,280
Total	<b>48,337,872,171</b>	41,317,904,126

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

## 40. PLACEMENTS FROM FINANCIAL INSTITUTIONS

### (a) Analysed by funding source:

	As at 31 December	
	2019	2018
Placements from banks	<b>21,025,216,615</b>	7,487,696,864
Placements from China Securities Finance Co., Ltd	<b>1,800,000,000</b>	–
Others	<b>1,000,000,000</b>	1,000,000,000
Subtotal	<b>23,825,216,615</b>	8,487,696,864
Accrued interests	<b>257,165,515</b>	46,107,008
Total	<b>24,082,382,130</b>	8,533,803,872

**40. PLACEMENTS FROM FINANCIAL INSTITUTIONS** *(continued)***(b) Analysed by residual maturity:**

	As at 31 December			
	2019		2018	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	15,439,958,880	1.90% – 4.68%	5,640,939,681	2.86% – 9.00%
1 – 3 months (inclusive)	3,238,835,702	2.82% – 3.65%	746,378,339	4.85% – 5.00%
3 months – 1 year (inclusive)	5,403,587,548	2.96% – 3.44%	2,146,485,852	4.40% – 5.00%
Total	24,082,382,130		8,533,803,872	

**41. SHORT-TERM DEBT SECURITIES ISSUED**

	Notes	As at 31 December	
		2019	2018
Beneficiary certificates	(a)	14,502,136,485	12,028,986,000
Notes payable	(b)	6,581,778,922	1,944,854,059
Subtotal		21,083,915,407	13,973,840,059
Accrued interests:			
Beneficiary certificates		88,681,587	60,997,604
Notes payable		67,737,875	26,540,122
Total		21,240,334,869	14,061,377,785



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 41. SHORT-TERM DEBT SECURITIES ISSUED (continued)

### (a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2019
0.00% – 10.30%	12,089,983,604	62,644,473,418	27,683,983	(60,171,322,933)	–	14,590,818,072

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2018
0.00% – 8.10%	8,824,880,000	48,566,845,400	62,996,725	(45,344,939,400)	(19,799,121)	12,089,983,604

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 0.30% to 8.10% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on Shanghai & Shenzhen 300 Index, China Securities Index (CSI) 500 and other indexes, individual stocks, prices of commodity products or USD index.

Beneficiary certificates issued by the Group are for maturities of 4 days to 733 days.

**41. SHORT-TERM DEBT SECURITIES ISSUED** *(continued)***(b) Notes payable:**

Name	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
Structured notes (iii)	1,971,394,181	10,350,739,565	41,197,753	(5,822,951,719)	109,137,017	6,649,516,797

Name	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (i)	1,110,814,000	–	–	(1,079,262,000)	(31,552,000)	–
MTN (ii)	–	628,820,000	–	(690,650,000)	61,830,000	–
Structured notes (iii)	691,186,896	6,416,379,004	26,540,122	(5,056,301,166)	(106,410,675)	1,971,394,181
Total	1,802,000,896	7,045,199,004	26,540,122	(6,826,213,166)	(76,132,675)	1,971,394,181

- (i) The interest commencement date and maturity date of the notes were 15 November 2017 and 15 May 2018 respectively. The principal of the notes amounted to USD170 million. The Group has redeemed the notes on 15 May 2018.
- (ii) The interest commencement date and maturity date of the notes were 7 February 2018 and 7 November 2018 respectively. The principal of the notes amounted to USD100 million. The Group has redeemed the notes on 7 November 2018.
- (iii) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum. The notes are for maturities of 11 days to 365 days.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 42. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOS")

### (a) Analysed by collateral type:

	As at 31 December	
	2019	2018
Debt securities	17,549,727,759	45,485,445,768
Others	7,111,147,291	3,106,007,184
Subtotal	24,660,875,050	48,591,452,952
Accrued interests	47,382,181	59,303,370
Total	24,708,257,231	48,650,756,322

### (b) Analysed by market:

	As at 31 December	
	2019	2018
Over-the-counter market	10,222,810,051	6,877,406,326
Stock exchanges	6,312,160,573	13,127,726,502
Inter-bank market	8,173,286,607	28,645,623,494
Total	24,708,257,231	48,650,756,322

As at 31 December 2019, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB27,942 million (31 December 2018: RMB46,455 million).

### 43. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2019	2018
<b>Non-current</b>		
Salaries, bonus and allowances	636,478,779	834,544,875
<b>Current</b>		
Salaries, bonus and allowances	4,777,540,462	3,878,491,126
Retirement scheme contribution	13,313,025	13,110,032
Other social welfare	30,428,775	24,867,844
Others	22,150,764	22,385,637
Subtotal	4,843,433,026	3,938,854,639
Total	5,479,911,805	4,773,399,514

### 44. OTHER CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Trade payable (Note 1)	43,701,363,379	26,440,618,642
Payables to the investors of consolidated structured entities (Note 2)	5,083,484,895	3,432,346,183
Accounts payable to underwriting clients	4,477,482,000	–
Accrued expenses	570,545,312	571,996,456
Sundry tax payable	557,257,075	723,423,784
Others (Note 3)	2,567,002,962	746,340,369
Total	56,957,135,623	31,914,725,434

Note 1: Trade payable mainly included deposits received in relation to derivative trading.

Note 2: For each reporting period, the consolidation scope of structured entities varies due to the addition and liquidation of the consolidated structured entities, and changes in the interests therein.

Note 3: Others mainly include the payment amounted to RMB1.9 billion that the Group was obligated to make to other investors regarding the securitisation vehicle (see Note 32(a)), which was disclosed as other non-current liabilities (see Note 48) as at 31 December 2018. The mature date of the securitisation vehicle is 21 November 2020.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 45. LONG-TERM DEBT SECURITIES ISSUED

	Notes	As at 31 December	
		2019	2018
Due within one year			
– Beneficiary certificates	(a)	<b>1,251,000,000</b>	1,117,800,000
– Subordinated bonds	(b)	<b>999,902,118</b>	2,198,656,584
– Corporate bonds	(c)	<b>19,135,896,495</b>	6,100,000,000
– Notes payable	(d)	–	3,428,336,856
Subtotal		<b>21,386,798,613</b>	12,844,793,440
Due after one year			
– Beneficiary certificates	(a)	<b>1,000,000,000</b>	400,000,000
– Subordinated bonds	(b)	<b>21,053,581,502</b>	12,579,474,786
– Corporate bonds	(c)	<b>18,362,873,397</b>	28,256,578,851
– Notes payable	(d)	<b>13,915,473,546</b>	6,842,394,391
– Financial bonds	(e)	<b>2,500,000,000</b>	–
Subtotal		<b>56,831,928,445</b>	48,078,448,028
Accrued interests:			
– Beneficiary certificates		<b>48,034,692</b>	88,058,806
– Subordinated bonds		<b>354,549,037</b>	238,674,537
– Corporate bonds		<b>675,145,404</b>	696,792,828
– Notes payable		<b>64,248,884</b>	45,914,229
– Financial bonds		<b>30,649,315</b>	–
Subtotal		<b>1,172,627,332</b>	1,069,440,400
Total		<b>79,391,354,390</b>	61,992,681,868
Fair value		<b>80,280,847,248</b>	62,408,122,791

## 45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

### (a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Book value as at 31 December 2019
0.00% – 10.25%	1,605,858,806	1,835,000,000	(40,024,114)	–	(1,101,800,000)	2,299,034,692

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Transferred in	redemption	Book value as at 31 December 2018
0.00% – 8.00%	2,633,021,155	500,000,000	27,748,530	19,799,121	(1,574,710,000)	1,605,858,806

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 3.40% to 6.45% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on the index market or the credit situation of certain assets. An investor put or issuer call is applicable on certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 45. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (b) Subordinated bonds:

Name	Interest commence- ment date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CCCC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	-	-	-	-	3,406,855,890
				1 <sup>st</sup> – 5 <sup>th</sup> year, 5.00%;						
16 CCCC Futures (iii)	16/12/2016	16/12/2024	Annually	6 <sup>th</sup> – 8 <sup>th</sup> year, 8.00%	100,219,178	-	-	-	-	100,219,178
17 CCCC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	-	(5,641,929)	-	(4,179,169)	632,674,900
17 CCCC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	-	(11,495,672)	-	(7,752,508)	1,559,390,549
17 CCCC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	-	(14,668,115)	-	(11,016,338)	1,540,393,113
18 CCCC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	-	(6,180,844)	-	(2,562,770)	1,058,803,374
18 CCCC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	-	(3,872,002)	-	(1,808,309)	1,529,206,314
19 CCCC C1	19/04/2019	19/04/2022	Annually	4.20%	-	1,500,000,000	44,186,301	-	-	1,544,186,301
19 CCCC C3	14/10/2019	14/10/2024	Annually	4.09%	-	1,500,000,000	12,942,329	-	-	1,512,942,329
19 CCCC C4	11/11/2019	11/11/2024	Annually	4.12%	-	1,500,000,000	8,296,438	-	-	1,508,296,438
19 CCCC C5	05/12/2019	05/12/2024	Annually	4.20%	-	2,000,000,000	5,753,425	-	-	2,005,753,425
16 CISC 01 (iv)	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	-	(6,027,397)	(2,200,000,000)	1,343,416	-
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	-	-	-	655,339	1,041,359,653
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	-	-	-	672,589	1,875,369,227
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	-	3,000,000,000	92,581,966	-	-	3,092,581,966
Total					15,016,805,907	9,500,000,000	115,874,500	(2,200,000,000)	(24,647,750)	22,408,032,657

## 45. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (b) Subordinated bonds: (continued)

Name	Interest commence- ment date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
15 CICC C1 (i)	29/05/2015	29/05/2021	Annually	1 <sup>st</sup> – 3 <sup>rd</sup> year, 5.25%; 4 <sup>th</sup> – 6 <sup>th</sup> year, 8.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C1 (ii)	21/07/2016	21/07/2021	Annually	1 <sup>st</sup> – 2 <sup>nd</sup> year, 3.25%; 3 <sup>rd</sup> – 5 <sup>th</sup> year, 6.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,400,000,000	–	6,855,890	–	–	3,406,855,890
16 CICC Futures (iii)	16/12/2016	16/12/2024	Annually	1 <sup>st</sup> – 5 <sup>th</sup> year, 5.00%; 6 <sup>th</sup> – 8 <sup>th</sup> year, 8.00%	100,000,000	–	219,178	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	601,136,664	–	16,058,086	–	25,301,248	642,495,998
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,480,139,603	–	30,183,697	–	68,315,429	1,578,638,729
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,500,000,000	–	2,054,888	–	64,022,678	1,566,077,566
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	–	1,000,000,000	34,935,674	–	32,611,314	1,067,546,988
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	–	1,500,000,000	23,950,685	–	10,935,940	1,534,886,625
16 CISC 01 (iv)	07/12/2016	07/12/2019	Annually	4.00%	2,197,269,866	–	6,027,397	–	1,386,718	2,204,683,981
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	998,622,825	–	41,457,535	–	623,954	1,040,704,314
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,797,125,551	–	76,931,507	–	639,580	1,874,696,638
Total					16,074,294,509	2,500,000,000	238,674,537	(4,000,000,000)	203,836,861	15,016,805,907

(i) The Company has redeemed the bonds on 29 May 2018.

(ii) The Company has redeemed the bonds on 23 July 2018.

(iii) CICC Futures Co., Ltd. ("CICC Futures") has an option to redeem the bonds on 16 December 2021.

(iv) CICC Wealth Management has redeemed the bonds on 9 December 2019.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 45. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CCC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	3,041,040,822	-	5,785,186	(124,000,000)	-	2,922,826,008
16 CCC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	-	-	-	-	1,015,052,877
16 CCC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,105,867,671	-	(5,867,671)	(1,100,000,000)	-	-
16 CCC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	-	-	-	-	905,093,753
16 CCC 05 (vi)	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	-	(1,232,877)	(2,000,000,000)	-	-
17 CCC 01	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	-	(18,749,670)	-	(23,948,519)	4,165,686,653
17 CCC 02	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	-	(4,359,391)	-	(11,867,086)	1,032,496,932
17 CCC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	-	(9,890,186)	-	(9,358,161)	1,055,402,156
17 CCC 04	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	-	(10,236,244)	-	(16,589,178)	2,042,623,536
17 CCC 05	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	-	(13,625,576)	-	(18,018,097)	2,019,150,296
17 CCC 06	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	-	(183,684,72)	-	(22,601,548)	2,512,752,752
18 CCC 01	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	-	(5,525,618)	-	(7,619,725)	1,052,245,432
18 CCC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	-	(7,678,786)	-	(7,573,900)	1,062,144,259
18 CCC 03	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	-	(2,072,183)	-	(3,255,212)	517,057,151
18 CCC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	-	(5,853,981)	-	(4,184,734)	1,041,603,234
18 CCC 05	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	-	(2,831,105)	-	(2,693,790)	1,027,609,961
18 CCC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	-	(3,669,400)	-	(2,310,735)	1,032,202,027
19 CCC 04	21/11/2019	21/11/2025	Annually	3.52%	-	1,500,000,000	5,786,301	-	-	1,505,786,301
17 CSC F1	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	-	(185,639)	-	-	3,067,758,196
17 CSC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	-	(63,755)	-	-	1,023,270,492
18 CSC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	-	(1,264,91)	-	61,858	1,046,088,333
18 CSC 02	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	-	(4,011,525)	-	(3,616,445)	2,032,396,587
18 CSC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	-	(38,100)	-	60,574	1,013,794,862
19 CSC 01	22/04/2019	22/04/2022	Annually	4.22%	-	2,000,000,000	58,572,678	-	(294,261)	2,058,278,417
19 CCC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	-	3,000,000,000	22,595,081	-	-	3,022,595,081
Total					35,053,371,679	6,500,000,000	(21,647,424)	(3,224,000,000)	(133,808,959)	38,173,915,296

## 45. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (c) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	2.99%	3,000,000,000	-	41,040,822	-	-	3,041,040,822
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,000,000,000	-	15,052,877	-	-	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,100,000,000	-	5,867,671	-	-	1,105,867,671
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	900,000,000	-	5,093,753	-	-	905,093,753
16 CICC 05 (v)	26/12/2016	26/12/2019	Annually	4.50%	2,000,000,000	-	1,232,877	-	-	2,001,232,877
17 CICC 01	20/01/2017	20/01/2020	Annually	4.35%	3,974,367,918	-	155,115,334	-	78,901,590	4,208,384,842
17 CICC 02	08/05/2017	08/05/2020	Annually	4.97%	1,005,797,807	-	24,141,961	-	18,783,641	1,048,723,409
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,007,657,164	-	25,868,186	-	41,125,153	1,074,650,503
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	1,985,509,769	-	35,137,174	-	48,802,015	2,069,448,958
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,000,000,000	-	12,048,542	-	38,745,427	2,050,793,969
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,500,000,000	-	901,662	-	52,821,110	2,553,722,772
18 CICC 01	26/01/2018	26/01/2020	Annually	5.58%	-	1,000,000,000	46,038,946	-	19,351,829	1,065,390,775
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	-	1,000,000,000	47,561,580	-	29,835,365	1,077,396,945
18 CICC 03	24/04/2018	24/04/2020	Annually	4.80%	-	500,000,000	15,648,608	-	6,735,938	522,384,546
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	-	1,000,000,000	31,538,620	-	20,103,329	1,051,641,949
18 CICC 05	28/06/2018	28/06/2020	Annually	5.20%	-	1,000,000,000	25,834,744	-	7,300,112	1,033,134,856
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	-	1,000,000,000	26,115,223	-	12,066,939	1,038,182,162
15 CISC G1 (v)	24/07/2015	24/07/2018	Annually	3.62%	3,497,797,815	-	-	(3,500,000,000)	2,202,185	-
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,000,000,000	-	67,943,835	-	-	3,067,943,835
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,000,000,000	-	23,334,247	-	-	1,023,334,247
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	-	1,000,000,000	46,295,891	-	(142,925)	1,046,152,966
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	-	2,000,000,000	31,035,617	-	8,988,940	2,040,024,557
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	-	1,000,000,000	13,944,658	-	(172,270)	1,013,772,388
Total					27,971,130,473	9,500,000,000	696,792,828	(3,500,000,000)	385,448,378	35,053,371,679

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 45. LONG-TERM DEBT SECURITIES ISSUED (continued)

### (c) Corporate bonds: (continued)

- (i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors. On 28 June 2019, the Company announced to waive its early-redemption option on 18 July 2019. According to the Company's announcement dated on 28 June 2019, the Company announced to waive the option to redeem such bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the tenure of such bond.
- (ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.
- (iii) The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors. On 28 October 2019, the Company announced to waive its early-redemption option.
- (iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company has an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.
- (v) CICC Wealth Management has redeemed the bonds on 24 July 2018.
- (vi) CICC has redeemed the bonds on 26 December 2019.

### (d) Notes payable:

Name	Interest commence- ment date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	3,439,874,674	-	(11,537,818)	(3,449,400,000)	21,063,144	-
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,134,978,441	-	(3,880,840)	-	72,221,528	4,203,319,129
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,741,792,361	-	(1,258,424)	-	48,680,966	2,789,214,903
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	-	4,714,080,000	23,828,016	-	154,093,697	4,892,001,713
MTN (v)	03/05/2019	03/05/2022	3.38%	-	2,020,320,000	11,183,721	-	63,682,964	2,095,186,685
Total				10,316,645,476	6,734,400,000	18,334,655	(3,449,400,000)	359,742,299	13,979,722,430

Name	Interest commence- ment date	Maturity date	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (i)	18/05/2016	18/05/2019	2.75%	3,255,995,294	-	11,537,816	-	172,341,564	3,439,874,674
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	-	3,783,960,000	28,328,176	-	322,690,265	4,134,978,441
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	-	2,739,520,000	6,048,237	-	(3,775,876)	2,741,792,361
Total				3,255,995,294	6,523,480,000	45,914,229	-	491,255,953	10,316,645,476

## 45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

### (d) Notes payable: *(continued)*

- (i) The interest commencement date and maturity date of the notes are 18 May 2016 and 18 May 2019 respectively. The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.
- (ii) The interest commencement date and maturity date of the notes are 25 April 2018 and 25 April 2021 respectively. The principal of the notes amounts to USD600 million. The interest payment is made quarterly.
- (iii) The interest commencement date and maturity date of the notes are 11 September 2018 and 11 September 2021 respectively. The principal of the notes amounts to USD400 million. The interest payment is made quarterly.
- (iv) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD700 million. The interest payment is made quarterly.
- (v) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.

### (e) Financial bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Interest accrued, net of interest paid	Transferred in	Redemption	Amortisation and others	Book value as at 31 December 2019
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	-	2,500,000,000	30,649,315	-	-	2,530,649,315

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 46. LEASE LIABILITIES

	As at 31 December 2019
Buildings	1,459,424,998
Equipment	569,530
Subtotal	1,459,994,528
Less: Amount due for settlement within 12 months shown under current liabilities	487,672,398
Amount due for settlement after 12 months shown under non-current liabilities	972,322,130

## 47. CONTRACT LIABILITIES

	As at 31 December 2019	2018
Asset and fund management services	268,698,457	214,441,996
Investment banking services	70,790,978	–
Total	339,489,435	214,441,996

Contract liabilities mainly included advanced receipts from clients for the assets and fund management services and investment banking services. Revenue would be recognised within the next 12 months when the Group fulfills its obligations.

## 48. OTHER NON-CURRENT LIABILITIES

	As at 31 December 2019	2018
Deferred income	146,982,000	151,470,000
Long-term borrowings	10,200,000	10,200,000
Long-term finance leases payable	–	1,361,659
Others (Note)	–	1,900,000,000
Subtotal	157,182,000	2,063,031,659
Accrued interests	–	15,406,027
Total	157,182,000	2,078,437,686

Note: The payment that the Group was obligated to make to other investors of a securitisation vehicle amounted to RMB1.9 billion. It was reclassified to other current liabilities (see Note 44) as at 31 December 2019. The maturity date of the securitisation vehicle is 21 November 2020.

## 49. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2019	2018
Issued and fully paid ordinary shares with a nominal value of RMB1 each		
Domestic shares	<b>2,464,953,440</b>	2,464,953,440
H shares	<b>1,903,714,428</b>	1,727,714,428
Total	<b>4,368,667,868</b>	4,192,667,868
Share capital		
Domestic shares	<b>2,464,953,440</b>	2,464,953,440
H shares	<b>1,903,714,428</b>	1,727,714,428
Total	<b>4,368,667,868</b>	4,192,667,868

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 ordinary shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

Pursuant to the acquisition of 100% equity interests in CICC Wealth Management, the Company issued 1,678,461,809 consideration shares at a price of RMB9.95 per share to Huijin in March 2017. Accordingly, the registered capital and share capital of the Company increased to RMB3,985,130,809 respectively, which was divided into 2,464,953,440 domestic shares and 1,520,177,369 H shares.

On 23 March 2018, the Company issued 207,537,059 new H shares at a price of HKD13.80 per share to Tencent Mobility Limited. Accordingly, the registered capital of the Company increased to RMB4,192,667,868 and the total number of the shares of the Company increased to 4,192,667,868 shares, which was divided into 2,464,953,440 domestic shares and 1,727,714,428 H shares.

On 24 October 2019, the Company issued 176,000,000 new H shares with a par value of RMB1 at a price of HKD14.40 per share. Accordingly, the registered capital of the Company increased to RMB4,368,667,868 and the total number of shares of the Company increased to 4,368,667,868 shares, which was divided into 2,464,953,440 domestic shares and 1,903,714,428 H shares.

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 regards to the Company's residual assets.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 49. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Reserves

#### (i) Capital reserve

##### *The Group*

	As at 31 December	
	2019	2018
Share premium (Note)	26,884,912,147	24,775,868,127
Others	46,734,828	46,734,828
Total	26,931,646,975	24,822,602,955

##### *The Company*

	As at 31 December	
	2019	2018
Share premium (Note)	29,104,497,086	27,022,893,623
Others	21,708,921	21,708,921
Total	29,126,206,007	27,044,602,544

Note: The premium arising from the Company's H share offering and the issuance of domestic shares (see Note 49(a)) was recorded in share premium.

#### (ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance (the "MOF") after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

## 49. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

### (b) Reserves *(continued)*

#### (iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accrualment could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds, which are under custody, at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Implementation Guidelines for the Large Collective Asset Management Business of Securities Firms under the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management draw risk reserves from management fee income of Large Collective Asset Management business at a proportion of 10%.

The Company makes the appropriation of general reserves at the end of each year.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

#### (iv) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets at fair value through other comprehensive income are disposed of or are determined to be impaired.

#### (v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 49. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

### (c) Dividends

Upon the approval of the Annual General Meeting on 28 May 2019, the Company announced the payment of cash dividend for its 2018 profit distribution. The amount of cash dividend was RMB670,826,859 (or RMB1.6 every 10 shares, tax inclusive) and the distribution was made in July 2019.

On 30 March 2020, the 2019 profit distribution plan was approved by the Board of Directors. For details, please refer to Note 62(d).

Dividends proposed by the directors are not deducted from equity, until approved by the Annual General Meeting. After being approved and declared, the dividends are recognised as a liability.

## 50. OTHER EQUITY INSTRUMENTS

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds is determined as follows:

- The bond bears at a fixed interest rate;
- The nominal interest rate of the first five interest-bearing years is determined by inquiry and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

## 51. COMMITMENTS

### (a) Capital commitments

Capital commitments outstanding at 31 December 2019 and 2018 not provided for in the financial statements were as follows:

	As at 31 December	
	2019	2018
Contracted, but not provided for	2,756,949,559	1,597,864,192

### (b) Underwriting commitments

According to the relevant tendering documents, there was no underwriting commitments taken but not provided for as at 31 December 2019 for the Group (31 December 2018: RMB40 million).

## 52. INTERESTS IN STRUCTURED ENTITIES

### (a) Interests in structured entities consolidated by the Group

For structured entities consolidated by the Group where the Group is involved as manager or investor, the Group assesses the degree of its remuneration generated from these investments. If the Group obtains the variability of returns from the activities of these investments to a level of such significance, it indicates that the Group is a principal.

As at 31 December 2019 and 2018, the total assets of the consolidated structured entities are RMB22,643,139,472 and RMB11,791,819,803 respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB7,946,520,862 and RMB4,778,125,788 respectively.

### (b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 52. INTERESTS IN STRUCTURED ENTITIES (continued)

### (b) Interests in structured entities sponsored by third party institutions (continued)

The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

	As at 31 December	
	2019	2018
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	59,215,114,396	47,327,726,304
– Financial assets at fair value through other comprehensive income	24,833,283	619,716,414

The Group's exposure to the variable returns in these structured entities is not significant from the perspective of the structured entities and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

### (c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group serves as general partner or manager, therefore has power over them during the years include private equity funds, mutual funds and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2019	2018
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	7,272,348,899	4,754,906,498
– Accounts receivable	1,440,190,809	1,030,013,910
– Interests in associates and joint ventures	325,383,470	330,322,476

For the year ended 31 December 2019 and 2018, the Group obtained management fee and performance fee amounting to RMB2,001,492,975 and RMB1,779,149,564 respectively from these structured entities.

Except for those which have been consolidated by the Group as set out in Note 52(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

## 53. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which they transfer recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

### 53. TRANSFERS OF FINANCIAL ASSETS *(continued)*

#### (a) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a financial asset simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all risks and rewards of those securities transferred. These financial assets are not derecognised from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these financial assets. A financial liability is recognised for cash received. In this kind of transactions, the recourse of counterparties against the Group is not limited to the transferred financial assets.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2019	Financial assets measured at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	8,704,043,049	3,102,307,869	11,806,350,918
Carrying amount of associated liabilities	(7,712,205,571)	(2,696,954,807)	(10,409,160,378)
Net position	991,837,478	405,353,062	1,397,190,540

As at 31 December 2018	Financial assets measured at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	5,239,294,683	3,932,174,269	9,171,468,952
Carrying amount of associated liabilities	(4,816,202,550)	(3,539,387,554)	(8,355,590,104)
Net position	423,092,133	392,786,715	815,878,848

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 53. TRANSFERS OF FINANCIAL ASSETS *(continued)*

### (b) Securities lending arrangement

The Group entered into securities lending agreements with clients under which it lend out its financial assets measured at fair value through profit or loss that are secured by clients' securities and deposits held as collateral. As at 31 December 2019, it lent out its own equity securities and ETFs classified as financial assets measured at fair value through profit or loss of RMB204,977,805 (31 December 2018: RMB161,560). Pursuant to the securities lending agreements, the Group lent its own securities to clients. In view of this, the Group determined that it retains substantially all the risks and rewards of ownership of these securities and therefore did not derecognise these securities in the consolidated financial statements.

### (c) Asset securitisation of receivable from margin clients

The transfer of financial assets in relation to receivable from margin clients used as underlying assets for the securitisation of receivable from margin clients was disclosed in Note 32 (a).

## 54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) The largest shareholder of the Company – Huijin

As at 31 December 2019, Huijin owned 44.38% of the equity interest of the Company (31 December 2018: 55.75%) directly and indirectly.

On 6 June 2018, Huijin and Haier Group (Qingdao) Financial Holdings Ltd. ("Haier") entered into a share transfer agreement, and agreed to sell Huijin's 398,500,000 domestic shares in the Company (representing approximately 9.51% of the total share capital of the Company) (the "Share Transfer") to Haier. After obtaining the approval from the CSRC, the Share Transfer was completed on 11 March 2019, and on completion of the Share Transfer, Huijin directly holds 1,936,155,680 domestic shares in the Company.

In October 2019, the Company issued 176,000,000 new H shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868 (see Note 49(a)). Accordingly, the equity interest held directly by Huijin decreased to 44.32%.

### (i) Related party transactions with Huijin and Huijin's affiliates

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

## 54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### (a) The largest shareholder of the Company – Huijin *(continued)*

#### (i) Related party transactions with Huijin and Huijin's affiliates *(continued)*

	Year ended 31 December	
	2019	2018
Brokerage commission income	6,034,143	7,153,139
Underwriting and sponsoring fees	73,646,600	88,597,460
Asset management fees	66,875,255	54,368,753
Investment advisory fees	462,508	385,997
Interest income	615,378,578	469,991,899
Net gains from financial instruments at fair value through profit or loss	108,331,023	66,578,531
Net gains/(losses) from derivative financial instruments	28,398,742	(56,335,681)
Other income, net	988,174	987,188
Brokerage commission expenses	8,831,438	10,338,698
Underwriting and sponsoring expenses	5,683,333	–
Asset management expenses	32,066,815	21,378,082
Interest expenses	446,616,865	324,869,059
Other operating expenses and costs	30,515,219	23,183,259

#### (ii) The balances of transactions with Huijin and Huijin's affiliates

	As at 31 December	
	2019	2018
Accounts receivable	94,564,564	91,196,197
Financial assets at fair value through other comprehensive income	760,381,815	1,814,745,590
Financial assets at fair value through profit or loss	3,211,657,414	3,630,613,585
Refundable deposits	2,618,691	2,610,741
Derivative financial assets	71,099,866	62,410,098
Cash and bank balances (Note 1)	35,688,717,007	23,429,692,588
Financial liabilities at fair value through profit or loss	–	70,691,740
Derivative financial liabilities	26,301,154	30,283,701
Accounts payable to brokerage clients	8,026,660	36,381,485
Placements from financial institutions	5,563,531,463	1,632,518,860
Short-term debt securities issued	–	3,711,245,342
REPOs	–	8,600,310,768
Long-term debt securities issued	2,534,768,818	2,866,640,788
Other current liabilities	65,755,852	10,231,377

Note 1: The cash and bank balances deposited with Huijin and Huijin's affiliates include self-owned cash and bank balances and cash held on behalf of brokerage clients.

Note 2: As at 31 December 2019, besides of the transactions disclosed above, the interests held by Huijin and Huijin's affiliates in the segregated asset management schemes managed by the Group amounted to RMB13,232,176,702 (31 December 2018: RMB8,300,572,227).

# Notes to the Consolidated Financial Statements

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## 54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits in kind	34,073,214	32,974,490
Discretionary bonuses (Note)	154,932,422	215,376,076
Retirement scheme contributions	943,999	962,818
Total	189,949,635	249,313,384

Note: Total remuneration of key management personnel is included in "staff costs" (see Note 12).

### (c) Related party transactions with other shareholders

#### (i) Related party transactions with other shareholders

	Year ended 31 December	
	2019	2018
Brokerage commission income	57,502	1,207,877
Underwriting and sponsoring fees	5,127,236	–
Asset management fees	19,248,432	9,826,489
Interest expenses	213,023	93,868

#### (ii) The balances of transactions with other shareholders

	As at 31 December	
	2019	2018
Accounts payable to brokerage clients	579,180	55,784,014

## 54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### (d) Related party transactions with the Group's associates and joint ventures

#### (i) Related party transactions with associates and joint ventures and their affiliates

	Year ended 31 December	
	2019	2018
Asset management fees	11,439,457	11,017,159
Brokerage commission income	9,904,144	3,912,067
Investment advisory fees	29,498,298	8,692,166
Interest income	13,217,503	10,351,481
Asset management expenses	82,731	859,695
Interest expenses	27,435	5,492
Other operating expenses and costs	–	29,403,611
Impairment losses under expected credit loss model	–	102,000

#### (ii) The balances of transactions with associates and joint ventures and their affiliates

	As at 31 December	
	2019	2018
Accounts receivable	16,226,219	4,361,017
Other non-current assets	310,264,313	281,433,457
Accounts payable to brokerage clients	892	6,085,987
Other current liabilities	664,792	902,381

### (e) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

### (f) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors has entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 55. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and
- for which financial statements regarding financial position, results of operations and cash flows are available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to domestic and overseas clients.
- the Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, and product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.
- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.

**55. SEGMENT REPORTING** *(continued)*

- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of brokerage services, advisory services, transactional services, capital-based intermediary services and product services, to retail clients, high-net-worth individuals, family offices and corporate clients.
- the Others segment mainly comprises of other business departments and back offices.

The Company acquired 100% equity interests in CICC Wealth Management in March 2017. As at 31 December 2018, the restructuring and integration work was still in progress. Thus, CICC Wealth Management was managed and presented as a separate segment in the annual report for the year ended 31 December 2018. As at 31 December 2019, with greater progress achieved in the integration, existing business lines of CICC Wealth Management were divided and presented in relevant operating segments according to the nature of the business activities for the purpose of segment reporting. The comparative data is also restated.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 55. SEGMENT REPORTING (continued)

### (a) Segment results

	Year ended 31 December 2019						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	3,359,717,441	1,668,903,374	948,341,187	1,785,897,483	2,934,500,779	35,692,000	10,733,052,264
– Interest income	34,876,803	341,779,304	1,285,722,809	10,009,017	2,685,329,019	442,471,101	4,800,188,053
– Investment income	461,357,069	2,025,898,545	3,349,179,348	216,970,545	(68,630,207)	973,867,500	6,958,642,800
– Other income, net	9,221,157	64,473,711	80,059,019	55,020,169	21,620,814	60,232,566	290,627,436
Segment revenue and other income	3,865,172,470	4,101,054,934	5,663,302,363	2,067,897,214	5,572,820,405	1,512,263,167	22,782,510,553
Segment expenses	(2,536,868,971)	(1,786,658,142)	(3,804,917,409)	(1,310,409,178)	(4,506,764,356)	(3,595,663,896)	(17,541,281,952)
Segment operating profit/(loss)	1,328,303,499	2,314,396,792	1,858,384,954	757,488,036	1,066,056,049	(2,083,400,729)	5,241,228,601
Share of profits of associates and joint ventures	–	–	–	70,833,458	(6,579,451)	(3,850,926)	60,403,081
Profit/(loss) before income tax	1,328,303,499	2,314,396,792	1,858,384,954	828,321,494	1,059,476,598	(2,087,251,655)	5,301,631,682
Segment assets	7,410,811,403	103,219,733,870	111,968,447,320	9,194,996,817	76,667,496,771	35,419,811,002	343,881,297,183
Deferred tax assets							1,089,945,732
Group's total assets							344,971,242,915
Segment liabilities	8,482,236,380	101,754,005,043	88,719,663,470	3,248,125,075	65,375,736,530	28,498,551,805	296,078,318,303
Deferred tax liabilities							361,389,177
Group's total liabilities							296,439,707,480
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(146,593,348)	(622,726,889)	(3,044,975,052)	(114,931,133)	(1,656,099,267)	(310,187,730)	(5,895,513,419)
Depreciation and amortisation expenses	(90,011,343)	(55,197,953)	(45,234,758)	(96,085,163)	(327,437,262)	(299,268,933)	(913,235,412)
(Provision for)/reversal of impairment losses under expected credit loss model	(71,170,593)	(24,419,090)	4,181,171	(40,759,310)	(9,604,909)	(17,825,100)	(159,597,831)

## 55. SEGMENT REPORTING (continued)

### (a) Segment results (continued)

	Year ended 31 December 2018 (Restated)						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	2,669,366,307	1,599,731,738	491,019,082	1,655,157,627	2,353,847,983	51,281,479	8,820,404,216
– Interest income	11,994,262	257,265,107	1,061,561,894	24,926,545	2,767,264,566	463,912,938	4,586,925,312
– Investment income	284,821,153	671,915,446	2,731,082,281	151,727,275	238,125,408	463,394,873	4,541,066,436
– Other income, net	24,211,442	209,194,550	107,972,909	46,912,313	50,172,173	152,794,509	591,257,896
Segment revenue and other income	2,990,393,164	2,738,106,841	4,391,636,166	1,878,723,760	5,409,410,130	1,131,383,799	18,539,653,860
Segment expenses	(2,005,632,132)	(1,510,311,728)	(3,085,978,119)	(1,119,193,156)	(4,303,916,503)	(2,245,838,553)	(14,270,870,191)
Segment operating profit/(loss)	984,761,032	1,227,795,113	1,305,658,047	759,530,604	1,105,493,627	(1,114,454,754)	4,268,783,669
Share of profits of associates and joint ventures	–	–	–	44,146,439	98,816,965	(24,398,720)	118,564,684
Profit/(loss) before income tax	984,761,032	1,227,795,113	1,305,658,047	803,677,043	1,204,310,592	(1,138,853,474)	4,387,348,353
Segment assets	3,237,034,621	57,293,345,470	106,628,634,182	6,676,208,319	63,802,308,815	36,626,011,218	274,263,542,625
Deferred tax assets							1,156,997,727
Group's total assets							275,420,540,352
Segment liabilities	3,289,677,188	56,379,625,859	89,096,364,236	2,727,584,784	49,358,177,091	31,921,508,523	232,772,937,681
Deferred tax liabilities							270,866,094
Group's total liabilities							233,043,803,775
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(115,189,408)	(511,363,164)	(2,508,550,160)	(83,803,758)	(1,754,985,632)	103,007,108	(4,870,885,014)
Depreciation and amortisation expenses	(12,069,097)	(14,860,425)	(9,620,939)	(17,805,660)	(121,538,815)	(126,007,662)	(301,902,598)
Impairment losses under expected credit loss model	(31,102)	(9,243,240)	(7,520,995)	(9,959,131)	(45,841,659)	(1,580,041)	(74,176,168)

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

# Notes to the Consolidated Financial Statements

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## 55. SEGMENT REPORTING (continued)

### (b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, deferred tax assets and reverse REPOs, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients to whom the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on the locations where the property and equipment are located in or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers	
	Year ended 31 December	
	2019	2018
Mainland China	17,540,324,418	14,987,255,047
Outside Mainland China	5,242,186,135	3,552,398,813
Total	22,782,510,553	18,539,653,860

	Non-current assets	
	As at 31 December	
	2019	2018
Mainland China	10,431,470,733	7,783,209,546
Outside Mainland China	3,755,494,473	1,239,100,760
Total	14,186,965,206	9,022,310,306

Reconciliation of segment non-current assets:

	Non-current assets	
	As at 31 December	
	2019	2018
Total non-current assets for segments	34,625,309,318	28,561,549,980
Elimination of inter-segment non-current assets	(20,438,344,112)	(19,539,239,674)
Total	14,186,965,206	9,022,310,306

### (c) Major clients

The Group's customer base was diversified and no customer had transactions which exceeded 10% of the Group's revenue for the years of 2019 and 2018.

## 56. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value unless the fair values cannot be reliably measured. For financial instruments traded in active markets, the Group uses Stock exchanges prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.
- (iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 45. The carrying amounts of short-term debt securities issued approximate their fair values.
- (iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate their fair values.

### (a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs, i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments measured at Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in valuation techniques include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates etc. For the fair value of financial instruments measured at Level III, the main valuation techniques and significant unobservable inputs are disclosed in Note 56(a)(ii).

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 56. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

The table below analyses financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	64,404,093,954	757,142,771	4,528,289,761	69,689,526,486
– Debt securities	2,579,599,611	73,222,018,204	329,221,497	76,130,839,312
– Funds and other investments	2,467,332,952	19,904,195,371	–	22,371,528,323
Derivative financial assets	86,093,900	4,416,110,358	–	4,502,204,258
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,985,823,339	–	28,985,823,339
Total	69,537,120,417	127,285,290,043	4,857,511,258	201,679,921,718
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(3,067,219,649)	–	–	(3,067,219,649)
– Debt securities	–	(833,356,562)	–	(833,356,562)
– Funds and others	(33,307,915)	–	–	(33,307,915)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(20,673,051,510)	–	(20,673,051,510)
– Debt securities	–	(1,963,383,218)	–	(1,963,383,218)
Derivatives financial liabilities	(43,120,510)	(6,319,071,491)	–	(6,362,192,001)
Total	(3,143,648,074)	(29,788,862,781)	–	(32,932,510,855)

**56. FAIR VALUE INFORMATION** *(continued)***(a) Financial assets and liabilities measured at fair value** *(continued)*

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value				
through profit or loss				
– Equity securities	24,143,024,726	255,859,816	2,794,023,378	27,192,907,920
– Debt investments	2,012,856,578	65,830,951,432	39,271,308	67,883,079,318
– Funds and other investments	5,264,173,874	14,444,742,017	–	19,708,915,891
Derivative financial assets	47,838,598	5,481,697,550	–	5,529,536,148
Financial assets at fair value through				
other comprehensive income				
– Debt securities	99,554,989	35,600,110,888	–	35,699,665,877
Total	31,567,448,765	121,613,361,703	2,833,294,686	156,014,105,154
Liabilities				
Financial liabilities at fair value				
through profit or loss				
Financial liabilities held for trading				
– Equity investments	(3,324,980,886)	(253)	–	(3,324,981,139)
– Debt investments	–	(918,861,787)	–	(918,861,787)
Financial liabilities designated				
as at fair value through profit or loss				
– Equity investments	–	(8,773,289,241)	–	(8,773,289,241)
– Debt investments	–	(2,077,116,104)	–	(2,077,116,104)
Derivative financial liabilities	(48,208,043)	(3,333,001,826)	–	(3,381,209,869)
Total	(3,373,188,929)	(15,102,269,211)	–	(18,475,458,140)

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## 56. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (i) Transfer between levels

The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss	11,254,310	7,027,045

As of 31 December 2019, the Group's equity securities of RMB249 million (31 December 2018: RMB226 million) were transferred from Level I or II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 31 December 2019, the Group's debt securities of RMB121 million (31 December 2018: RMB36 million) were transferred from Level II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 31 December 2019, the Group's equity securities of RMB208 million (31 December 2018: nil) were transferred out of Level III to Level I or II, as the fair values of these investments were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfer above, for the years ended 31 December 2019 and 2018, there was no other significant transfer among Level I, Level II and Level III of the fair value hierarchy for the Group's assets and liabilities measured at fair value. 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.

There is no significant change for the Group's applied fair value valuation techniques in 2019.

## 56. FAIR VALUE INFORMATION *(continued)*

### (a) Financial assets and liabilities measured at fair value *(continued)*

#### (ii) Information about Level III fair value measurements

As at 31 December 2019 and 2018, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss
As at 1 January 2019	2,833,294,686
Gains for the year	24,059,784
Purchases	2,247,281,576
Sales and settlements	(408,734,066)
Transfer into Level III	369,770,128
Transfer out of Level III	(208,160,850)
As at 31 December 2019	4,857,511,258
Total gains for the year included in profit or loss for assets held at the end of the year	21,235,787

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 56. FAIR VALUE INFORMATION (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Information about Level III fair value measurements (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets
As at 31 December 2017	1,017,927,637	1,231,998,246
Adjustment for initial application of IFRS 9	1,231,998,246	(1,231,998,246)
As at 1 January 2018	2,249,925,883	–
Gains for the year	185,690,947	–
Purchases	1,271,664,155	–
Sales and settlements	(1,136,817,007)	–
Transfer into Level III	262,830,708	–
As at 31 December 2018	2,833,294,686	–
Total gains for the year included in profit or loss for assets held at the end of the year	85,391,025	–

For financial instruments in Level III, prices are determined using valuation methods such as discounted cash flow models and comparable company methods, etc. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Unlisted equity securities	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Debt securities	Level III	Discounted cash flow models	Discount rate	The higher the discount, the lower the fair value

## 56. FAIR VALUE INFORMATION *(continued)*

### (b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group, which are classified as Level II categories and disclosed in Note 45.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

## 57. FINANCIAL RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk and market risk from its use of financial instruments.

### (a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debtors' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) Credit risk from the defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

### Measurement of expected credit losses

The Group recognises loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities not measured at fair value through profit or loss via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

# Notes to the Consolidated Financial Statements

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## 57. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Measurement of expected credit losses (continued)

A default is that the client or the financier or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the degree of loss made by the Group on the exposure at default. In the determination of LGD, the Group makes an estimate of the recoverable cash flow after disposal of underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and makes the estimation of LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures loss allowance on either a 12-month or the lifetime basis for the investments in different risk stages.

#### Provision method of ECL

The Group recognises impairment provision of debt securities investment and margin financing business based on ECL. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on the balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be included in "Stage 1"; the financial instruments of which the credit risk has increased significantly since the initial recognition will be included in "Stage 2"; and the financial instruments that are credit-impaired will be transferred into "Stage 3". The Group measures ECL based on the parameters such as PD, LGD and EAD.

#### The criteria of significant increase in credit risk ("SICR")

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of a bond issuers or the debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions, which are expected to cause a significant decrease in the debtor's ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the agreed prior-warning line, collaterals are suspended continuously or have adverse changes in its conditions, assets held by the debtors have significant deterioration in the qualities, or a debt is approaching its maturity with risk of default.

#### Definition criteria of credit-impaired assets

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the bond issuer is unable to perform the payment obligations as agreed, has other default bonds or is in a circumstance that can be determined as in default, e.g. having significant financial difficulties; (2) for margin financing business: the margin financing client violates the business agreement, e.g. the client fails to remargin in a timely manner when the margin ratio is below the agreed level, the client fails to fully repay the debt when a margin call is triggered, the margin is unable to be closed out due to the suspension of trading of the collaterals, the client fails to fully repay the debt when the contract expires, or the shares used as pledge/guarantee shares are frozen by judicial system.

## 57. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Measurement of expected credit losses *(continued)*

##### **Forward-looking information**

The Group uses reasonable and supportable forward-looking macro information that is available without undue cost or effort in its assessment of SICR as well as in its measurement of ECL. The information includes a base-case scenario of future forecast of relevant economic variables, along with a series of other representative possible forecast scenarios.

#### **Debt securities (including debt securities measured at FVTPL and at FVTOCI)**

The Group focuses on decentralising investments for the credit-type fixed income securities investment which are mainly high-credit rating products. The Group controls the exposure of the market risk and credit risk by setting investment position limit, classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer's business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc.

The carrying amounts of the Group's debt securities are as follows:

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss	76,130,839,312	67,883,079,318
Financial assets at fair value through other comprehensive income	28,985,823,339	35,699,665,877
Total	105,116,662,651	103,582,745,195

(ii) The exposure to credit risk for debt securities at FVTPL and FVTOCI by geographic region was as follows.

	As at 31 December	
	2019	2018
Mainland China	104,620,412,929	102,767,059,464
Outside Mainland China	496,249,722	815,685,731
Total	105,116,662,651	103,582,745,195

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Debt securities (including debt securities measured at FVTPL and at FVTOCI) (continued)

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI.

Credit rating	As at 31 December			
	2019		2018	
	FVTPL	FVTOCI 12-month ECL	FVTPL	FVTOCI 12-month ECL
Outside Mainland China (by international rating agencies)				
– AAA	13,636	–	36,965,504	–
– From AA- to AA+	–	–	99,934,168	–
– From A- to A+	1,351,421,066	1,707,571,481	2,901,571,388	1,868,305,913
– Below A-	12,495,297,861	3,048,454,944	4,731,334,513	2,233,360,115
Subtotal	13,846,732,563	4,756,026,425	7,769,805,573	4,101,666,028
Mainland China (by domestic rating agencies)				
– AAA	35,190,458,884	23,966,979,878	37,516,910,604	31,052,165,066
– From AA- to AA+	6,177,409,481	61,144,700	8,239,641,768	197,537,883
– From A- to A+	1,016,894,182	–	609,758,021	–
– Below A-	281,753,183	–	47,229,851	–
Subtotal	42,666,515,730	24,028,124,578	46,413,540,244	31,249,702,949
Non-rated I (Note 1)	1,304,072,061	201,672,336	2,250,168,313	348,296,900
Non-rated II (Note 2)	18,313,518,958	–	11,449,565,188	–
Total	76,130,839,312	28,985,823,339	67,883,079,318	35,699,665,877
Allowance for impairment losses		(17,043,688)		(20,151,854)

## 57. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI *(continued)*

Note 1: These non-rated financial assets mainly include government bonds, policy financial bonds and Special Drawing Rights ("SDR") denominated bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities which are not rated by independent rating agencies.

The Group did not have any debt securities that were past due but not impaired at 31 December 2019 and 2018.

#### (iii) Movement of allowance for impairment losses

The movement in the allowance for impairment losses in respect of debt investments at FVTOCI during the year was as follows.

	12-month ECL	
	2019	2018
As at 1 January 2019	20,151,854	13,317,597
Changes due to financial instruments recognised as at 1 January 2019:		
Impairment losses recognised	323,121	212,219
Impairment losses reversed	(1,710,316)	(609,550)
New financial assets originated or purchased	10,215,082	15,955,215
Financial assets derecognised (including written-offs)	(12,197,036)	(8,827,305)
Others	260,983	103,678
As at 31 December 2019	17,043,688	20,151,854

As at 31 December 2019 and 2018, there was no lifetime ECL on debt investments held by the Group.

#### Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Other non-derivative financial investments (other than debt investments) (continued)

- (i) The exposure to credit risk for other financial instruments (other than debt securities) at amortised cost at the reporting date by geographic region was as follows.

	As at 31 December	
	2019	2018
Mainland China	112,313,223,169	95,518,489,940
Outside Mainland China	23,169,562,246	17,501,007,238
Total	135,482,785,415	113,019,497,178

#### (ii) Movement of allowance for impairment losses

The movement in the allowance for impairment losses of other financial instruments (other than debt investments) at amortised cost during the year was as follows.

##### (1) Financial assets held under resale agreements

	2019			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	15,263,462	8,670,861	49,860,126	73,794,449
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(74,922)	–	74,922	–
– Transfer to lifetime ECL	(545,763)	10,399,527	(9,853,764)	–
– Transfer to 12m ECL	6,391,689	(6,391,689)	–	–
– Impairment losses recognised	255,631	431,557	5,964,234	6,651,422
– Impairment losses reversed	(9,537,456)	(10,063,097)	(16,900,270)	(36,500,823)
New financial assets originated or purchased	204,856	1,065	–	205,921
Financial assets derecognised (including written-offs)	(6,126,136)	(2,279,071)	(5,147,622)	(13,552,829)
Others	–	–	–	–
As at 31 December 2019	5,831,361	769,153	23,997,626	30,598,140

**57. FINANCIAL RISK MANAGEMENT** *(continued)***(a) Credit risk** *(continued)***Other non-derivative financial investments (other than debt investments)** *(continued)***(ii) Movement of allowance for impairment losses** *(continued)*(1) *Financial assets held under resale agreements (continued)*

	2018			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	37,233,368	–	–	37,233,368
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(12,581,378)	–	12,581,378	–
– Transfer to lifetime ECL	(4,289,828)	4,289,828	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	6,751,985	2,409,260	38,968,299	48,129,544
– Impairment losses reversed	(13,660,992)	(208,895)	(1,689,551)	(15,559,438)
New financial assets originated or purchased	4,155,054	2,180,668	–	6,335,722
Financial assets derecognised (including written-offs)	(2,344,747)	–	–	(2,344,747)
Others	–	–	–	–
As at 31 December 2018	15,263,462	8,670,861	49,860,126	73,794,449

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Other non-derivative financial investments (other than debt investments) (continued)

#### (ii) Movement of allowance for impairment losses (continued)

##### (2) Receivable from margin clients

	2019			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	23,692,459	–	239,351	23,931,810
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(1,412,419)	–	1,412,419	–
– Transfer to lifetime ECL	(1,002,859)	1,004,027	(1,168)	–
– Transfer to 12m ECL	7,222	–	(7,222)	–
– Impairment losses recognised	4,193,670	279,472	523,425	4,996,567
– Impairment losses reversed	(7,675,551)	(435,942)	(657,389)	(8,768,882)
New financial assets originated or purchased	7,128,369	181,547	17,781,333	25,091,249
Financial assets derecognised (including written-offs)	(2,347,955)	–	(198,856)	(2,546,811)
Others	51,898	–	196,279	248,177
As at 31 December 2019	22,634,834	1,029,104	19,288,172	42,952,110

**57. FINANCIAL RISK MANAGEMENT** *(continued)***(a) Credit risk** *(continued)***Other non-derivative financial investments (other than debt investments)** *(continued)***(ii) Movement of allowance for impairment losses** *(continued)**(2) Receivable from margin clients (continued)*

		2018		
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	25,495,024	–	–	25,495,024
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(261,028)	–	261,028	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	13,197,203	–	198,856	13,396,059
– Impairment losses reversed	(17,529,843)	–	(220,533)	(17,750,376)
New financial assets originated or purchased	8,062,177	–	–	8,062,177
Financial assets derecognised (including written-offs)	(5,285,096)	–	–	(5,285,096)
Others	14,022	–	–	14,022
As at 31 December 2018	23,692,459	–	239,351	23,931,810

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### Other non-derivative financial investments (other than debt investments) (continued)

#### (ii) Movement of allowance for impairment losses (continued)

##### (3) Other financial instruments at amortised cost

	2019			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	1,101,767	12,970,943	66,732,674	80,805,384
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(12,296)	–	12,296	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	94,364	724,363	136,612,022	137,430,749
– Impairment losses reversed	(43,414)	(288,977)	(1,607,335)	(1,939,726)
New financial assets originated or purchased	305,128	10,219	57,119,783	57,435,130
Financial assets derecognised (including written-offs)	(853,819)	–	(13,475,491)	(14,329,310)
Others	(543)	–	1,700,979	1,700,436
As at 31 December 2019	591,187	13,416,548	247,094,928	261,102,663

## 57. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

#### Other non-derivative financial investments (other than debt investments) *(continued)*

#### (ii) Movement of allowance for impairment losses *(continued)*

##### (3) Other financial instruments at amortised cost *(continued)*

	2018			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	1,365,605	11,280,789	39,706,408	52,352,802
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	–	–	–	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	49,617	1,350,447	247,384	1,647,448
– Impairment losses reversed	(29,640)	339,707	(18,595,446)	(18,285,379)
New financial assets originated or purchased	843,966	–	50,970,955	51,814,921
Financial assets derecognised (including written-offs)	(1,127,757)	–	(5,350,883)	(6,478,640)
Others	(24)	–	(245,744)	(245,768)
As at 31 December 2018	1,101,767	12,970,943	66,732,674	80,805,384

Other financial instruments at amortised cost mainly include accounts receivables, other receivables and deposits with banks.

### Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns corresponding credit ratings accordingly. On the basis of credit ratings, the Group sets credit risk exposure limits for counterparties, and manage counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of over the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on over the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on liquidity risk indicators on a regular and irregular basis to analyse and assess our liquidity risk exposure; maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorised by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

	As at 31 December 2019					Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	
Financial liabilities						
Accounts payable to brokerage clients	48,337,872,171	–	–	–	–	48,337,872,171
Placements from financial institutions	–	24,336,819,054	–	–	–	24,336,819,054
Financial liabilities at fair value through profit or loss	–	26,362,724,129	207,594,725	–	–	26,570,318,854
Derivative financial liabilities	–	6,096,910,786	265,278,058	3,157	–	6,362,192,001
REPOs	–	24,713,038,178	–	–	–	24,713,038,178
Short-term debt securities issued	–	20,788,452,951	689,966,100	–	–	21,478,419,051
Long-term debt securities issued	–	24,639,949,705	61,089,800,034	–	–	85,729,749,739
Lease liabilities	–	542,975,636	953,370,780	90,777,171	–	1,587,123,587
Others	32,768,536,091	23,409,982,773	15,941,337	–	–	56,194,460,201
Total	81,106,408,262	150,890,853,212	63,221,951,034	90,780,328	–	295,309,992,836

## 57. FINANCIAL RISK MANAGEMENT *(continued)*

### (b) Liquidity risk *(continued)*

	As at 31 December 2018					Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	
Financial liabilities						
Accounts payable to brokerage clients	41,317,904,126	–	–	–	–	41,317,904,126
Placements from financial institutions	–	8,591,559,485	–	–	–	8,591,559,485
Financial liabilities at fair value through profit or loss	–	15,049,758,338	44,808,403	–	–	15,094,566,741
Derivative financial liabilities	–	3,062,579,714	318,630,155	–	–	3,381,209,869
REPOs	–	48,686,137,097	–	–	–	48,686,137,097
Short-term debt securities issued	–	14,165,161,144	–	–	–	14,165,161,144
Long-term debt securities issued	–	11,497,880,773	55,995,798,248	108,000,000	–	67,601,679,021
Others	17,226,832,604	13,763,796,404	2,006,604,838	1,816,097	–	32,999,049,943
Total	58,544,736,730	114,816,872,955	58,365,841,644	109,816,097	–	231,837,267,426

### (c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. Stress testing is conducted regularly, and the risk control and operating indicators in a variety of scenarios are calculated. The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

#### (i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis, stress test, and etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to the adverse market movements, such as interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR by using a historical simulation method and implements relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (i) Market risk of investment portfolios (continued)

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;
- The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and
- The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the years of 2019 and 2018 respectively:

	As at 31 December 2019	For the year ended 31 December 2019 Average	Highest	Lowest
Equity prices	30,936,433	27,295,314	63,327,778	8,266,060
Interest rates	36,577,675	53,170,545	63,897,038	35,413,961
Currency rates	33,886,625	31,963,024	43,034,370	10,516,056
Commodity prices	3,833,248	1,392,051	6,264,911	49,390
Diversification effect	(47,366,615)	(44,154,634)	(19,620,576)	(67,079,481)
Total portfolio	57,867,366	69,666,300	98,072,104	50,664,887

## 57. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Market risk *(continued)*

#### (i) Market risk of investment portfolios *(continued)*

	As at 31 December 2018	For the year ended 31 December 2018 Average	Highest	Lowest
Equity prices	10,017,654	35,295,772	84,098,599	9,211,728
Interest rates	54,126,510	34,934,216	59,106,783	22,723,042
Currency rates	12,978,384	17,133,335	26,134,597	10,943,473
Commodity prices	1,739,044	994,920	2,897,438	236,359
Diversification effect	(24,900,111)	(31,004,413)	(19,232,253)	(46,570,288)
Total portfolio	53,961,481	57,353,830	94,666,167	31,926,815

#### (ii) Market risk of non-trading portfolios

##### (1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity As at 31 December	
	2019	2018
Changes in basis points		
Increase by 50 basis points	(213,876,502)	(204,477,998)
Decrease by 50 basis points or decrease to 0	224,548,089	227,671,434

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 57. FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk (continued)

#### (ii) Market risk of non-trading portfolios (continued)

##### (1) Interest rate risk (continued)

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rate;
- There are no changes to the assets and liabilities portfolios;
- Other variables (including exchange rates) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

##### (2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

## 58. CAPITAL MANAGEMENT

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximise returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction which may be significantly different from the regulations in other jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2016] No. 10) issued by the CSRC on 16 June 2016.

In accordance with CSRC Announcement [2016] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk Coverage Ratio (Net capital/Total risk capital reserves $\times$ 100%) shall be no less than 100% ("Ratio i");
- (ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets $\times$ 100%) shall be no less than 8% ("Ratio ii");
- (iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days $\times$ 100%) shall be no less than 100% ("Ratio iii");
- (iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding $\times$ 100%) shall be no less than 100% ("Ratio iv");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio v");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio vi");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio vii");
- (viii) The ratio of the value of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio viii");
- (ix) The ratio of the value of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio ix").

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 58. CAPITAL MANAGEMENT (continued)

As at 31 December 2019 and 2018, the Company maintained the above ratios as follows:

	As at 31 December	
	2019	2018
Net Capital	<b>28,702,021,460</b>	24,577,462,190
Ratio i	<b>132.49%</b>	133.58%
Ratio ii	<b>10.47%</b>	10.55%
Ratio iii	<b>251.91%</b>	438.33%
Ratio iv	<b>128.85%</b>	156.98%
Ratio v	<b>70.20%</b>	65.95%
Ratio vi	<b>24.65%</b>	22.74%
Ratio vii	<b>35.11%</b>	34.48%
Ratio viii	<b>44.94%</b>	20.62%
Ratio ix	<b>290.10%</b>	347.50%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, and etc.

The above data is calculated based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) The Company's statement of financial position

	Note	As at 31 December	
		2019	2018
Non-current assets:			
Property and equipment		435,575,843	372,277,200
Right-of-use assets		612,829,845	–
Intangible assets		103,217,147	87,842,509
Interests in subsidiaries	60	22,643,777,514	21,744,673,076
Interests in associates and joint ventures		407,839,515	389,932,716
Reverse REPOs		65,050,590	211,539,018
Refundable deposits		1,699,266,387	770,430,005
Deferred tax assets		621,956,634	601,636,510
Other non-current assets		128,630,571	121,753,069
Total non-current assets		26,718,144,046	24,300,084,103
Current assets:			
Accounts receivable		9,805,193,196	2,141,926,752
Receivable from margin clients		2,766,714,285	1,992,028,170
Financial assets at fair value through other comprehensive income		20,067,334,715	24,190,268,496
Financial assets at fair value through profit or loss		73,487,881,746	64,719,040,159
Derivative financial assets		3,182,247,665	3,000,399,524
Reverse REPOs		10,433,010,873	13,197,893,871
Cash held on behalf of clients		15,121,597,005	11,129,108,315
Cash and bank balances		9,649,881,652	8,745,764,629
Other current assets		1,281,716,226	3,139,287,616
Total current assets		145,795,577,363	132,255,717,532
Total assets		172,513,721,409	156,555,801,635

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

### (a) The Company's statement of financial position (continued)

	Notes	As at 31 December 2019	2018
Current liabilities:			
Financial liabilities at fair value through profit or loss		2,107,270,290	1,480,846,217
Derivative financial liabilities		3,754,090,061	1,479,476,136
Accounts payable to brokerage clients		10,716,008,886	11,203,754,287
Placements from financial institutions		13,305,797,714	7,954,342,245
Short-term debt securities issued		10,106,707,969	8,038,574,411
REPOs		9,155,548,103	35,072,079,303
Employee benefits payable		2,815,906,617	2,005,815,539
Income tax payable		317,223,201	442,422,700
Long-term debt securities issued due within one year		15,664,571,241	6,238,654,406
Contract liabilities		66,049,227	—
Other current liabilities		33,222,338,080	13,899,349,393
Total current liabilities		101,231,511,389	87,815,314,637
Net current assets		44,564,065,974	44,440,402,895
Total assets less current liabilities		71,282,210,020	68,740,486,998
Non-current liabilities:			
Non-current employee benefits payable		394,448,276	559,786,203
Long-term debt securities issued		29,369,262,562	30,915,172,060
Lease liabilities		633,150,164	—
Total non-current liabilities		30,396,861,002	31,474,958,263
Net assets		40,885,349,018	37,265,528,735
Equity:			
Share capital	49	4,368,667,868	4,192,667,868
Other equity instruments	50	1,000,000,000	1,000,000,000
Reserves	49	32,570,193,268	29,824,857,277
Retained profits		2,946,487,882	2,248,003,590
Total equity		40,885,349,018	37,265,528,735

Note: The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB816,089,902 were recognised on initial application of IFRS 16, relating to which RMB827,120,560 was recognised as right-of-use assets.

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

### (b) Movement in the Company's reserves

	Share capital	Other equity instruments	Reserves					Retained profits	Total equity
			Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Subtotal		
At 1 January 2019	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735
Changes in equity for the year									
Profit for the year	-	-	-	-	-	-	-	2,040,628,027	2,040,628,027
Other comprehensive income for the year	-	-	-	-	-	49,415,652	49,415,652	-	49,415,652
Total comprehensive income for the year	-	-	-	-	-	49,415,652	49,415,652	2,040,628,027	2,090,043,679
Appropriation to surplus reserve	-	-	-	204,062,803	-	-	204,062,803	(204,062,803)	-
Appropriation to general reserves	-	-	-	-	410,254,073	-	410,254,073	(410,254,073)	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)
Issuance of H shares	176,000,000	-	2,081,603,463	-	-	-	2,081,603,463	-	2,257,603,463
At 31 December 2019	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018



# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

### (b) Movement in the Company's reserves (continued)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	Reserves		Subtotal	Retained profits	Total equity
					General reserves	Investment revaluation reserve			
At 31 December 2017	3,985,130,809	1,000,000,000	24,943,144,961	347,068,722	1,813,108,200	(101,380,693)	27,001,941,190	1,675,216,690	33,662,288,689
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	3,182,937	3,182,937	2,796,684	5,979,621
At 1 January 2018	3,985,130,809	1,000,000,000	24,943,144,961	347,068,722	1,813,108,200	(98,197,756)	27,005,124,127	1,678,013,374	33,668,268,310
Changes in equity for the year									
Profit for the year	-	-	-	-	-	-	-	1,854,269,544	1,854,269,544
Other comprehensive income for the year	-	-	-	-	-	161,823,098	161,823,098	-	161,823,098
Total comprehensive income for the year	-	-	-	-	-	161,823,098	161,823,098	1,854,269,544	2,016,092,642
Appropriation to surplus reserve	-	-	-	185,426,954	-	-	185,426,954	(185,426,954)	-
Appropriation to general reserves	-	-	-	-	371,025,515	-	371,025,515	(371,025,515)	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)
Issuance of H shares	207,537,059	-	2,101,457,583	-	-	-	2,101,457,583	-	2,308,994,642
At 31 December 2018	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735

## 60. INTERESTS IN SUBSIDIARIES

	As at 31 December	
	2019	2018
Unlisted shares, at cost or deemed cost	22,643,777,514	21,744,673,076

## 60. INTERESTS IN SUBSIDIARIES (Continued)

### (a) Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup>
				2019	2018		
China International Capital Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HKD2,300,000,000	100%	100%	Overseas investment holding business	DTT
CICC Wealth Management	Shenzhen, PRC	Limited liability company	RMB16,700,695,000	100%	100%	Investment banking and securities brokerage business	DTT PRC
CICC Capital management Co., Ltd.	Beijing, PRC	Limited liability company	RMB922,804,807	100%	100%	Direct investment business	DTT PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	Limited liability company	RMB300,000,000	100%	100%	Financial products investment business	DTT PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	Limited liability company	RMB400,000,000	100%	100%	Management of mutual funds business	DTT PRC
CICC Futures	Xining, PRC	Limited liability company	RMB397,653,726	100%	100%	Futures brokerage business	DTT PRC
CISC Tianqi Futures Limited <sup>(3)</sup>	Shenzhen, PRC	Limited liability company	RMB261,250,618	80%	80%	Futures brokerage business	DTT PRC
CICC Genesis Fund Management Co., Ltd. <sup>(3)</sup>	Wuhan, PRC	Limited liability company	RMB100,000,000	100%	100%	Direct investment business	DTT PRC
China International Capital Corporation Hong Kong Securities Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD1,155,220,000	100%	100%	Investment banking and securities brokerage business	DTT
CICC Financial Products Ltd. <sup>(3)</sup>	British Virgin Islands	Limited liability company	USD1	100%	100%	Financial products investment business	DTT
CICC Hong Kong Asset Management Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD362,540,000	100%	100%	Assets management business	DTT

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 60. INTERESTS IN SUBSIDIARIES (continued)

### (a) Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup>
				2019	2018		
China International Capital Corporation (Singapore) Pte. Limited <sup>(3)</sup>	Singapore	Limited liability company	SGD52,000,000	100%	100%	Investment banking and securities brokerage business	DTT Singapore
China International Capital Corporation (UK) Limited <sup>(3)</sup>	UK	Limited liability company	GBP33,000,000	100%	100%	Investment banking and securities brokerage business	DTT UK
CICC US Securities, Inc. <sup>(3)</sup>	USA	Limited liability company	USD68,000,000	100%	100%	Investment banking and securities brokerage business	DTT US
CICC US Securities (Hong Kong) Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD15,500,001	100%	100%	Investment banking and securities brokerage business	DTT US
China International Capital Corporation Hong Kong Futures Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD72,000,000	100%	100%	Futures brokerage business	DTT
CICC Financial Trading Limited <sup>(3)</sup>	Hong Kong	Limited liability company	HKD1	100%	100%	Securities business	DTT
CICC Capital (Cayman) Limited <sup>(2)(3)</sup>	Cayman Islands	Limited liability company	USD163,834,001	100%	100%	Direct investment business	–
CICC Deutschland GmbH <sup>(2)(3)</sup>	German	Limited liability company	EUR2,025,000	100%	100%	Investment banking and securities brokerage business	–

### (b) Acquisition of a subsidiary

In August 2019, as the equity interest in CICC Qianhai Development Fund Management Company Limited ("CICC Qianhai") held by one of the shareholders under joint control arrangement was transferred to third parties, the Group obtained control of CICC Qianhai through the corresponding amendments to CICC Qianhai's articles of association. The Group's equity interest in CICC Qianhai remained at 55% before and after the change from joint control to control.

On consolidation, the financial position and operating results of CICC Qianhai were not material to the Group and non-controlling interests of RMB44.4 million was recognised, representing the equity interests of other shareholders in CICC Qianhai.

## 60. INTERESTS IN SUBSIDIARIES *(continued)*

### (b) Change in ownership interest in a subsidiary *(continued)*

Notes:

- (1) Statutory auditors of the respective subsidiaries of the Group are as follows:
  - DTT PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合伙), a firm of certified public accountants registered in the PRC;
  - DTT represents Deloitte Touche Tohmatsu, 德勤•關黃陳方會計師行(香港), a firm of certified public accountants registered in Hong Kong;
  - DTT Singapore represents DTT LLP in Singapore, a firm of certified public accountants registered in Singapore;
  - DTT UK represents DTT LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
  - DTT US represents DTT LLP in the US, a firm of certified public accountants registered in the United States of America.
- (2) These subsidiaries were not subject to statutory audit according to the local regulations.
- (3) The equity interest of these subsidiaries was indirectly held by the Company.

## 61. CONTINGENCIES

As at 31 December 2019, CICC Wealth Management, a subsidiary of the Company, held one piece of land under construction for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. By relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the commencement of construction and extending the construction period. CICC Wealth Management received an idle land verification report from the relevant government authorities on 1 February 2018. According to the report, the aforesaid land was recognised as idle land, and the idling was caused by government and corporate reasons. In May 2018, CICC Wealth Management received a Hearing Right Notice from the relevant government authorities, demanding the payment of fee on idle land of RMB112.2 million and thereupon CICC Wealth Management applied for attending hearing meeting. Thereafter in August 2018, CICC Wealth Management received a Hearing Notice and attended the hearing. Up to the date of approving the Group's financial statements, CICC Wealth Management is still in the progress of communicating with the relevant government authorities. The amount of the fee is subject to the decision of the relevant government authorities, and CICC Wealth Management is of the view that such amount cannot be reliably measured. As a result, no relevant accrued liabilities were recognised as at 31 December 2019. As of the approval date of the Group's financial reports, construction of the land has not commenced, the Group has completed the bidding for the agent construction party for this project and will actively carry forward the construction work thereof.

Except for the above, the Group had no other outstanding contingent matters which had a material impact on its consolidated financial position as at 31 December 2019.

## 62. SUBSEQUENT EVENTS

### (a) Corporate bonds

The Group issued 20 CICC Wealth Management G1 with an aggregate principal amount of RMB2.00 billion on 16 January 2020 and 20 CICC F1 with an aggregate principal amount of RMB4.00 billion on 26 February 2020. The Group redeemed 17 CICC 01 with an aggregate principal amount of RMB4.00 billion on 20 January 2020 and 18 CICC 01 with an aggregate principal amount of RMB1.00 billion on 26 January 2020.

# Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

## 62. SUBSEQUENT EVENTS *(continued)*

### (b) Subordinated bonds

The Group issued 20 CICC C1 with an aggregate principal amount of RMB1.50 billion on 17 February 2020 and redeemed 17 CISC 01 with an aggregate principal amount of RMB1.00 billion on 23 February 2020.

### (c) MTNs

The Group issued a tranche of MTNs with an aggregate principal amount of USD1.00 billion on 18 February 2020.

### (d) Proposed profit distribution after the reporting period

Taking into account of the capital demands of the current business and future development of the Company and the interests of shareholders, the Company does not recommend any distribution of final dividends for 2019 in accordance with the 2019 profit distribution plan approved by the Board of Directors on 30 March 2020. The above proposed profit distribution is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

### (e) Sale of a subsidiary

In June 2019, CICC Wealth Management, Soochow Securities (Hong Kong) Financial Holdings Limited and Soochow Securities Co., Ltd entered into a share transfer agreement, and agreed to sell all issued share of China Investment Securities (Hong Kong) Financial Holdings Limited. The share transfer was filed with the CSRC without objection in September 2019 and completed in February 2020 after obtaining the approval from the Hong Kong Securities and Futures Commission. On the settlement date of the share transfer, CICC Wealth Management received the total consideration and completed the transfer of the equity interest in China Investment Securities (Hong Kong) Financial Holdings Limited. The sale of this subsidiary has immaterial impact on the Group's operating results and financial position.

### (f) Impact assessment on epidemic situation of COVID-19

Since the outbreak of COVID-19 in January 2020, the Group has resolutely implemented the requirements of the "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthened the financial support for epidemic prevention and control. COVID-19 will affect the global economic outlook and enterprise operation. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. The Group's operating results and financial position may be affected in the short term. The Group will pay constant and close attention to the development of the situation, evaluate and actively respond to its potential impact on the Group.

## 63. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

CHINA INTERNATIONAL CAPITAL CORPORATION  
(HONG KONG) LIMITED  
中國國際金融(香港)有限公司

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Reports and Consolidated Financial Statements  
For the year ended 31 December 2020

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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# CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

## DIRECTORS' REPORT

The directors are pleased to submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The principal activity of China International Capital Corporation (Hong Kong) Limited ("the Company") is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2020 and the Group's financial position at 31 December 2020 are set out in the consolidated financial statements on pages 7 to 9.

The directors do not recommend the payment of a dividend (2019: HK\$Nil) and propose that the profit for the year be retained.

### LONG-TERM NOTES ISSUED

Details of the long-term notes issued by the Group are set out in note 31 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movement of the share capital of the Company are set out in note 32 to the consolidated financial statements. On 14 September 2020, the Company issued 160,000,000 ordinary share at HK\$10 each to the immediate holding company. The proceeds from issuing the shares are to be used for daily working capital purpose. The new shares issued rank pari passu in all respects with the existing shares.

### DIRECTORS

The directors during the year and up to the date of this report were:

Cheng Qiang	(resigned on 4 June 2020)
Chu Gang	
Huang Haizhou	
Liang Hong	(resigned on 27 May 2020)
Ma Kui	
Wong King Fung	
Xia Xinhan	
Yu Weijiang	(appointed on 4 June 2020)
Liu Qingchuan	(appointed on 23 March 2021)



## DIRECTORS - continued

In accordance with the provisions of the Company's Article of Association, all directors retire and being eligible, offer themselves for re-election, continue in office.

The names of directors who have served on the board of directors of the subsidiaries of the Company during the year and up to the date of this report included:

Bai David Dawei, Cang Tianyang<sup>1</sup>, Chan Ho Wing, Chan Ka Chun, Chan Wing Hing Barry, Chan Yin Yi Alice, Chen Gang<sup>1</sup>, Cheng Beichen, Cheng Qiang<sup>1</sup>, Chu Gang, Cong Hui, Diao Zhihai, Ding Wei<sup>1</sup>, Elizabeth Eng Ming Fang, Feng Ping, Feng Sibao, Gao Qing, Gao Vincent Wenlong, Hanqing Wendy Zhang<sup>1</sup>, He Ning, Huang Haizhou, Huang Yilong, Huang Zhaozhui, Jia Jia, Ka Chau Kei, Khalid Iton<sup>1</sup>, Ko Vincent Boon Leng, Kriste Jodi Rankin, Lau Tsz Wing, Li Sun, Li Yanlin, Liang Dongqing, Liang Guozhong, Liang Ying, Liang Hong<sup>1</sup>, Lin Ning, Lin Xi, Lit Ho Man Vienna, Liu Jian, Liu Qingchuan, Liu Zhao, Lorna Carroll, Ma Kui, Martin Laufer, Ng Soon Wei Stephen, Niu Xuezhai, Pan Tianhao, Peng Wensheng, Qiao Bo, Qiu Jin, Shan Junbao, Shi Qi, Sin David<sup>1</sup>, Sneah Jason, So Hiu Fai, Sophia Dilbert, Teo Siew Li, To Derek Kai Chung, Tong Xuanzi, Tsui Chun Wa, Wan Li<sup>1</sup>, Wang Lei, Wang Sheng, Wang Fan<sup>1</sup>, Wang Haipeng<sup>1</sup>, William Shaw<sup>1</sup>, Wong Chi Man, Wong King Fung, Wu Xia, Xia Xinhuan, Xing Dongyuan, Xin Jie<sup>1</sup>, Xiong Sifei, Xu Mengmeng, Xu Lu<sup>1</sup>, Xu Zhongchao, Yu Weijiang, Zhang Fengwei, Zhang Shenglan, Zhang Yongcheng, Zhang Zhihong, Zhang Yi<sup>1</sup>, Zhao Xiaozheng, Zhou Guang<sup>1</sup>, Zhou Jiaying, Zhu Xin

Note:

<sup>1</sup> No longer directors of the subsidiaries of the Company as at the date of this report.

## ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

At no time during the year was the Company or any of its holding companies or fellow subsidiaries or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance, to which the Company, or any of holding companies or fellow subsidiaries or subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

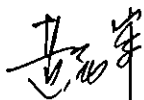
## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

## SUBSEQUENT EVENTS

Details of significant events occurring after the reporting date are set out in note 43 to the consolidated financial statements.

On behalf of the board



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Wong King Fung

Director

Hong Kong

12 APR 2021

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SOLE MEMBER OF**  
**CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED**  
中國國際金融(香港)有限公司  
(Incorporated in Hong Kong with limited liability)

**Opinion**

We have audited the consolidated financial statements of China International Capital Corporation (Hong Kong) Limited (the "Company") and its subsidiaries ("the Group") set out on pages 7 to 93, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial 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 (the "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.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SOLE MEMBER OF

### CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED - continued

中國國際金融(香港)有限公司

(Incorporated in Hong Kong with limited liability)

#### **Other Information**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SOLE MEMBER OF

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED - continued

中國國際金融(香港)有限公司

(Incorporated in Hong Kong with limited liability)

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** - continued

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

12 APR 2021

## CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK\$	2019 HK\$
Revenue			
Fee and commission income	4	3,342,845,643	2,419,263,928
Interest income	5	478,369,882	499,562,356
Investment income	6	3,565,795,151	3,009,145,558
Total revenue		7,387,010,676	5,927,971,842
Other income and (losses)/gains, net	7	(153,100,990)	(58,691,700)
Staff costs	8(a)	(1,910,560,277)	(1,435,945,489)
Net charge of impairment loss	8(d)	(284,460,620)	(18,851,529)
Depreciation		(182,813,315)	(143,793,218)
Other operating expenses	8(b)	(784,252,824)	(720,832,719)
Profit from operations		4,071,822,650	3,549,857,187
Finance costs	8(c)	(1,116,647,971)	(1,263,307,308)
Share of results of joint ventures		(19,479,677)	9,189,809
Share of results of associates		623,482	(841,720)
Profit before taxation	8	2,936,318,484	2,294,897,968
Income tax expense	9(a)	(484,530,378)	(357,481,161)
Profit for the year		2,451,788,106	1,937,416,807
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		2,890,948	(12,453,445)
Financial assets at fair value through other comprehensive income: net movement in revaluation reserve	17	(20,911,615)	140,903,292
		(18,020,667)	128,449,847
Total comprehensive income for the year		2,433,767,439	2,065,866,654

**CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED**

中國國際金融(香港)有限公司

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

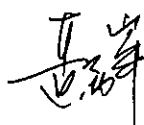
**AT 31 DECEMBER 2020**

	<u>NOTES</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Non-current asset</b>			
Property, plant and equipment	11	126,707,209	123,360,588
Right-of-use assets	12	364,865,581	448,966,208
Financial assets at fair value through profit or loss	20	2,023,874,856	1,936,549,523
Other non-current assets	13	1,969,692,344	1,010,420,995
Deferred tax assets	19	70,404,542	23,223,476
Interests in associates	15	1,643,578	904,679
Interests in joint ventures	16	279,666,251	300,363,629
		<u>4,836,854,361</u>	<u>3,843,789,098</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	106,745,748,972	73,207,246,233
Financial assets at fair value through other comprehensive income	17	4,443,040,985	5,309,368,847
Financial assets held under resale agreements ("reverse REPOs")	18	398,126,359	721,485,942
Derivatives	36	8,053,180,948	3,183,019,925
Accounts receivable	21	37,454,288,241	14,340,469,357
Other receivables, deposits and prepayments	22	1,319,349,311	2,332,169,464
Amounts due from the ultimate holding company	23	73,332,123	146,193,000
Amounts due from fellow subsidiaries	23	46,267	16,059
Amount due from joint ventures	23	-	2,288,515
Tax recoverable		150,642	3,959,469
Fixed deposits with original maturity over three months	24	21,703,193	99,566,295
Cash and cash equivalents	24	17,133,510,192	3,561,563,951
		<u>175,642,477,233</u>	<u>102,907,347,057</u>

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED  
中國國際金融(香港)有限公司

	NOTES	2020 HK\$	2019 HK\$
<b>Current liabilities</b>			
Accounts payable	25	47,536,885,420	19,473,004,208
Financial liabilities at fair value through profit or loss	26	44,291,262,172	26,704,991,145
Financial assets sold under repurchase agreements ("REPOs")	27	3,674,901,549	11,412,188,318
Derivatives	36	22,894,649,609	4,919,278,313
Lease liabilities	28	149,344,083	130,136,997
Other creditors and accruals	29	3,626,623,067	2,323,681,881
Amount due to the ultimate holding company	23	400,559,524	8,752,697
Amounts due to fellow subsidiaries	23	761,143	5,849,111
Bank loans and overdrafts	30	8,742,701,014	8,420,666,157
Tax payable		172,563,576	436,611,950
Short-term notes issued	31	7,945,831,984	7,347,539,487
Long-term notes issued	31	7,747,694,226	-
		<u>147,183,777,367</u>	<u>81,182,700,264</u>
<b>Net current assets</b>		<u>28,458,699,866</u>	<u>21,724,646,793</u>
<b>Total assets less current liabilities</b>		<u>33,295,554,227</u>	<u>25,568,435,891</u>
<b>Non-current liabilities</b>			
Long-term notes issued	31	19,331,034,598	15,534,476,708
Lease liabilities	28	252,213,698	349,245,770
Other non-current liabilities		-	1,298,306
Deferred tax liabilities	19	6,112,453	10,989,068
		<u>19,589,360,749</u>	<u>15,896,009,852</u>
<b>Net assets</b>		<u>13,706,193,478</u>	<u>9,672,426,039</u>
<b>Equity</b>			
Share capital	32(a)	3,900,000,000	2,300,000,000
Reserves	32(d)	9,806,193,478	7,372,426,039
<b>Total equity</b>		<u>13,706,193,478</u>	<u>9,672,426,039</u>

The consolidated financial statements on pages 7 to 93 were approved and authorised for issue by the Board of Directors on **12 APR 2021** and are signed on its behalf by:



Wong King Fung  
DIRECTOR



Ma Kui  
DIRECTOR



## CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital HK\$	Exchange reserve HK\$	Retained profits HK\$	Revaluation reserve (recycling) HK\$	Total HK\$
Balance at 1 January 2019	1,349,400,000	(13,042,529)	5,405,868,035	(86,266,121)	6,655,959,385
Share issued (Note 32(a))	950,600,000	-	-	-	950,600,000
Changes in equity for 2019:					
Profit for the year	-	-	1,937,416,807	-	1,937,416,807
Other comprehensive income	-	(12,453,445)	-	140,903,292	128,449,847
Total comprehensive income	-	(12,453,445)	1,937,416,807	140,903,292	2,065,866,654
Balance at 31 December 2019	2,300,000,000	(25,495,974)	7,343,284,842	54,637,171	9,672,426,039
Share issued (Note 32(a))	1,600,000,000	-	-	-	1,600,000,000
Changes in equity for 2020:					
Profit for the year	-	-	2,451,788,106	-	2,451,788,106
Other comprehensive income	-	2,890,948	-	(20,911,615)	(18,020,667)
Total comprehensive income	-	2,890,948	2,451,788,106	(20,911,615)	2,433,767,439
Balance at 31 December 2020	3,900,000,000	(22,605,026)	9,795,072,948	33,725,556	13,706,193,478

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$	2019 HK\$
<b>Operating activities</b>		
Profit before taxation	2,936,318,484	2,294,897,968
Adjustments for:		
Depreciation	182,813,315	143,793,218
Net charge of impairment loss	284,460,620	18,851,529
Interest element of leases	15,279,798	16,058,475
Other interest expenses	956,783,444	969,197,911
Loss on disposal of property, plant and equipment	48,607	-
Share of results of joint ventures	19,479,677	(9,189,809)
Share of results of associates	(623,482)	841,720
Unrealised fair value (gains)/losses on financial assets and liabilities at fair value through profit or loss and derivatives	(14,652,402,010)	1,803,587,897
<b>Operating cash flow before movements in working capital</b>	(10,257,841,547)	5,238,038,909
Increase in other non-current assets	(959,271,349)	(509,831,732)
Net change in financial assets and financial liabilities at fair value through profit or loss and derivatives	11,732,205,468	(26,543,537,965)
Net change in financial assets at fair value through other comprehensive income	842,205,830	(524,270,973)
Net change in reverse REPOs and REPOs	(7,413,927,186)	4,097,486,339
Increase in accounts receivable	(23,210,865,592)	(2,968,937,280)
Decrease/(increase) in other receivables, deposits and prepayments	824,461,636	(1,229,417,965)
Decrease/(increase) in fixed deposits with original maturity over three months	77,863,102	(77,634,133)
Decrease in restricted bank deposits	-	21,824,646
Net change in amount due from/to ultimate holding company	464,667,704	(184,532,501)
Net change in amounts due from/to fellow subsidiaries	(5,118,176)	5,776,338
Net change in amounts due from joint ventures	2,288,515	(2,288,515)
Increase in accounts payable	28,063,881,212	4,195,180,714
Net change in other creditors, accruals and other non-current liabilities	1,357,113,916	568,489,525
Cash generated from/(used in) operations	1,517,663,533	(17,913,654,593)

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

	<u>NOTES</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Cash generated from/(used in) operations</b>		1,517,663,533	(17,913,654,593)
<b>Tax paid</b>			
Hong Kong Profits Tax paid		(761,838,770)	(2,665,650)
Overseas tax paid		(30,963,052)	(8,208,825)
<b>Net cash generated from/(used in) operating activities</b>		<u>724,861,711</u>	<u>(17,924,529,068)</u>
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(50,941,564)	(125,851,702)
Proceed from disposal of property, plant and equipment		-	9,990,154
Payment for purchase of non-current financial assets at fair value through profit or loss		(387,869,681)	(752,942,845)
Proceed from disposal/redemption of non-current financial assets at fair value through profit or loss		225,325,905	316,335,528
Proceed from disposal of interest in a consolidated structure entity	37(f)(i)(A)	148,393,546	-
<b>Net cash used in investing activities</b>		<u>(65,091,794)</u>	<u>(552,468,865)</u>
<b>Financing activities</b>			
Net proceeds from bank loans	24(b)	322,034,857	8,386,859,296
Proceeds from issuance of long-term notes	24(b)	11,544,252,116	7,761,031,348
Payment of redemption of long-term notes	24(b)	-	(3,948,458,886)
Proceeds from issuance of short-term notes	24(b)	9,423,030,839	11,153,987,206
Payment of redemption of short-term notes	24(b)	(8,824,738,342)	(6,026,092,556)
Repayments of lease liabilities	24(b)	(148,585,125)	(100,260,785)
Issuance of shares	32(a)	1,600,000,000	950,600,000
Other interest paid	24(b)	(1,012,254,480)	(878,293,662)
<b>Net cash generated from financing activities</b>		<u>12,903,739,865</u>	<u>17,299,371,961</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>13,563,509,782</u>	<u>(1,177,625,972)</u>
<b>Cash and cash equivalents at 1 January</b>		<u>3,561,563,951</u>	<u>4,751,263,176</u>
<b>Effect of foreign exchange rate changes</b>		<u>8,436,459</u>	<u>(12,073,253)</u>
<b>Cash and cash equivalents at 31 December</b>	24	<u><u>17,133,510,192</u></u>	<u><u>3,561,563,951</u></u>
<b>Net cash used in operating activities including:</b>			
Interest received		1,006,853,343	879,997,231
Interest paid		(178,551,276)	(253,098,546)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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1. GENERAL INFORMATION

China International Capital Corporation (Hong Kong) Limited (the "Company") is a company incorporated in Hong Kong. Its ultimate holding company is China International Capital Corporation Limited, which is a public limited company incorporated in the People's Republic of China and its H shares are listed on The Stock Exchange of Hong Kong Limited and its A shares are listed on the Shanghai Stock Exchange. The address of the registered office and principal place of business of the Company is at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued**Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material**

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective - continued

**Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2***

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") bank loans, short-term notes issued, long-term notes issued and derivative contracts, which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective - continued

**Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
- the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
- if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2020, the Group's right to defer settlement for non-current long-term notes issued of HK\$19,331,034,598 are subject to compliance with covenants within 12 months from the reporting date. Such long-term notes issued were classified as non-current as the Group met such covenants at 31 December 2020. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2020.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

**3.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.1 Basis of preparation of consolidated financial statements - continued

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

#### 3.2 Significant accounting policies - continued

##### Investments in associates and joint ventures - continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Investments in associates and joint ventures - continued

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Investment funds

The Group has invested in investment funds. The Group's percentage ownership in the investment funds can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such funds, with control determined based on an analysis of the guidance in HKFRS 10, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the issuer to repurchase or redeem units in such funds for cash. These are presented as "Third party interest in consolidated investment funds" included in "other creditors and accruals" in the consolidated statement of financial position. "Third party interest in consolidated investment funds" is measured at fair value at the end of the reporting period. Where the Group does not control such funds, they are carried at fair value and classified as financial assets at fair value through profit or loss in the consolidated statement of financial position.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service, or a bundle of services, that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation since:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

The Group's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

- (i) Brokerage commission income includes commission income from brokerage trading of securities. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed;
- (ii) Selling concession and underwriting fee income are recognised at the point when relevant selling concession and underwriting activities are completed;
- (iii) Asset and fund management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur; and
- (iv) Advisory and research fee income is recognised in profit or loss over time using a method that depicts the group's performance, or at a point in time when the service is completed, depending on the nature of the services and the contract terms.

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

**Variable consideration**

For contracts that contain variable consideration, the Group estimates the amount of consideration for asset management services to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

**Principal versus agent**

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Leases - continued

**Definition of a lease - continued**

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

**The Group as a lessee**

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of office premises and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

*Leases* - continued

**The Group as a lessee** - continued

*Right-of-use assets* - continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Leases - continued

**The Group as a lessee - continued**

*Lease liabilities* - continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

#### 3.2 Significant accounting policies - continued

##### Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold improvements	The shorter of the estimated useful lives or the unexpired terms of the leases
Furniture and fixtures	3 years
Computer equipment	2 to 3 years
Office equipment	3 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Impairment of non-financial assets - continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Financial instruments - continued

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Financial instruments - continued

**Financial assets - continued**

*Classification and subsequent measurement of financial assets - continued*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve (recycling). Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset and is included in the "investment income" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 including reverse REPOs, accounts receivable, other receivables and deposits, cash and cash equivalents, fixed deposits with original maturity over three months, financial assets at fair value through other comprehensive income, amounts due from fellow subsidiaries, amounts due from joint ventures and amount due from ultimate holding company. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with debtors having similar credit ratings.

For all other instruments, the Group recognises 12m ECL for all financial assets at amortised cost unless when there has been a significant increase in credit risk since initial recognition in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for accounts receivable arising from dealing in securities where a shorter period of past due is applied), unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for accounts receivable arising from dealing in securities where a shorter period of past due is applied) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain account receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(v) Measurement and recognition of ECL - continued

Interest income 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 amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve included in instruments revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial liabilities and equity instruments** - continued

*Financial liabilities* - continued

(i) Financial liabilities at FVTPL - continued

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

(ii) Financial liabilities at amortised cost

Financial liabilities including accounts payable, REPOs, other creditors, amount due to ultimate holding company, amounts due to fellow subsidiaries, long-term and short-term notes issued, and bank loan and overdrafts are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial liabilities and equity instruments** - continued

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Repurchase agreements**

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets. Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements". Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

**Reversed repurchase agreements**

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. Financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Offsetting a financial asset and a financial liability**

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation - continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation - continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Foreign currencies - continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are recognised as expense when employees have rendered service entitling them to the contributions:

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Related parties

- (a) 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 of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of Group's parent.
- (b) 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 (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

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4. FEE AND COMMISSION INCOME

The principal activities of the Group are securities broking and dealing, and provision of advisory, underwriting, and asset management services.

The amount of each significant category of revenue is as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Commission and brokerage income	1,065,135,482	796,537,903
Selling concession income	181,903,260	170,581,612
Advisory and research fee income	781,760,363	538,217,596
Underwriting fee income	1,288,639,708	904,215,894
Asset management fee	25,406,830	9,710,923
	<u>3,342,845,643</u>	<u>2,419,263,928</u>

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is not significant to the consolidated financial statements.

5. INTEREST INCOME

	<u>2020</u> HK\$	<u>2019</u> HK\$
Interest income from financial assets at fair value through other comprehensive income	236,350,126	226,045,208
Interest income from margin loan	72,968,283	86,150,632
Interest income from other financial assets at amortised cost	169,051,473	187,366,516
	<u>478,369,882</u>	<u>499,562,356</u>

6. INVESTMENT INCOME

	<u>2020</u> HK\$	<u>2019</u> HK\$
Net gain on financial assets and liabilities at fair value through profit or loss and derivatives	3,503,804,988	3,000,956,035
Net gain on financial assets at fair value through other comprehensive income	61,990,163	8,189,523
	<u>3,565,795,151</u>	<u>3,009,145,558</u>

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7. OTHER INCOME AND (LOSSES)/GAINS, NET

	<u>2020</u> HK\$	<u>2019</u> HK\$
Exchange losses, net	(123,136,694)	(97,844,952)
Others (losses)/gains	(29,964,296)	39,153,252
	<u>(153,100,990)</u>	<u>(58,691,700)</u>

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<u>2020</u> HK\$	<u>2019</u> HK\$
(a) Staff costs		
Salaries, bonuses and allowances	1,887,162,571	1,415,031,806
Contributions to Mandatory Provident Fund	23,397,706	20,913,683
	<u>1,910,560,277</u>	<u>1,435,945,489</u>
(b) Other operating expenses included:		
Brokerage expenses	328,459,307	239,323,640
Legal and professional fees	108,009,779	74,448,544
Auditors' remuneration	3,922,630	4,605,773
	<u></u>	<u></u>
(c) Finance costs		
Interest expenses on		
- financial institutions	230,191,503	249,553,200
- short-term notes issued	200,764,834	156,145,464
- long-term notes issued	517,817,058	528,624,589
- repurchase agreements	144,584,729	278,050,922
- lease liabilities	15,279,798	16,058,475
- others	8,010,049	34,874,658
	<u>1,116,647,971</u>	<u>1,263,307,308</u>
(d) Net charge/(reversal) on impairment loss		
- Accounts receivable from margin client	12,476,569	12,145,078
- Accounts receivable from brokers	69,865,278	-
- Fee receivables	14,742,740	2,277,620
- Financial assets at FVTOCI	(944,605)	4,428,831
- Other receivables	188,358,517	-
- Others	(37,879)	-
	<u>284,460,620</u>	<u>18,851,529</u>

9. INCOME TAX EXPENSE

(a) Taxation charged to profit or loss

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	500,906,002	333,200,325
Underprovision in respect of prior years	693,221	3,199,394
	<u>501,599,223</u>	<u>336,399,719</u>
<b>Current tax - Overseas</b>		
Provision for the year	<u>30,963,052</u>	<u>8,817,750</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 19)	(48,031,897)	12,263,692
	<u>484,530,378</u>	<u>357,481,161</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Taxation for overseas operations and subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	<u>2020</u> HK\$	<u>2019</u> HK\$
Profit before taxation	<u>2,936,318,484</u>	<u>2,294,897,968</u>
Notional tax on profit before tax, at 16.5%	484,492,550	378,658,165
Effect of different tax rate of subsidiaries operating in other jurisdiction	(46,116,335)	(24,083,109)
Tax effect of non-deductible expenses	5,175,741	2,763,499
Tax effect of non-taxable revenue	(9,024,453)	(5,239,045)
Tax effect of unused tax loss not recognised	56,981,751	26,554,637
Utilisation of tax loss not previously recognised	(2,787,919)	(26,901,896)
Underprovision in prior years	693,221	3,199,394
Others	(4,884,178)	2,529,516
Tax charge for the year	<u>484,530,378</u>	<u>357,481,161</u>

(c) Deferred tax assets

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$1,540,308,231 (2019: HK\$1,242,000,503) due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely subject to the approval from the relevant tax authorities.

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**10. 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:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Directors' fees	-	-
Salaries, bonuses and other allowances	68,305,057	89,225,156
Post-employment benefits	607,259	759,946
	<u>68,912,316</u>	<u>89,985,102</u>

**11. PROPERTY, PLANT AND EQUIPMENT**

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
<b>Cost:</b>					
At 1 January 2020	180,310,862	21,108,381	135,570,359	30,750,013	367,739,615
Additions	23,175,075	1,038,283	22,808,155	3,920,051	50,941,564
Disposals	(377,885)	(1,108,709)	(5,865,341)	(421,668)	(7,773,603)
Exchange difference	(949,618)	108,285	(6,417,675)	581,366	(6,677,642)
At 31 December 2020	<u>202,158,434</u>	<u>21,146,240</u>	<u>146,095,498</u>	<u>34,829,762</u>	<u>404,229,934</u>
<b>Accumulated depreciation:</b>					
At 1 January 2020	107,115,548	13,772,096	103,366,157	20,125,226	244,379,027
Charge for the year	17,124,238	2,212,566	19,657,257	4,775,745	43,769,806
Written back on disposal	(377,885)	(1,108,709)	(5,865,341)	(373,061)	(7,724,996)
Exchange difference	492,910	969,108	(5,177,060)	813,930	(2,901,112)
At 31 December 2020	<u>124,354,811</u>	<u>15,845,061</u>	<u>111,981,013</u>	<u>25,341,840</u>	<u>277,522,725</u>
<b>Net book value:</b>					
At 31 December 2020	<u>77,803,623</u>	<u>5,301,179</u>	<u>34,114,485</u>	<u>9,487,922</u>	<u>126,707,209</u>
<b>Cost:</b>					
At 1 January 2019	146,783,091	14,915,727	108,866,428	23,136,279	293,701,525
Additions	76,769,470	7,792,367	30,576,838	10,713,027	125,851,702
Disposals	(40,459,718)	(1,436,043)	(2,831,811)	(2,624,253)	(47,351,825)
Exchange difference	(2,781,981)	(163,670)	(1,041,096)	(475,040)	(4,461,787)
At 31 December 2019	<u>180,310,862</u>	<u>21,108,381</u>	<u>135,570,359</u>	<u>30,750,013</u>	<u>367,739,615</u>
<b>Accumulated depreciation:</b>					
At 1 January 2019	128,796,687	14,726,164	97,013,168	20,496,651	261,032,670
Charge for the year	11,028,256	507,624	10,999,032	2,475,504	25,010,416
Written back on disposal	(30,469,564)	(1,436,043)	(2,831,811)	(2,624,253)	(37,361,671)
Exchange difference	(2,239,831)	(25,649)	(1,814,232)	(222,676)	(4,302,388)
At 31 December 2019	<u>107,115,548</u>	<u>13,772,096</u>	<u>103,366,157</u>	<u>20,125,226</u>	<u>244,379,027</u>
<b>Net book value:</b>					
At 31 December 2019	<u>73,195,314</u>	<u>7,336,285</u>	<u>32,204,202</u>	<u>10,624,787</u>	<u>123,360,588</u>

## 12. RIGHT-OF-USE ASSETS

	Leasehold building HK\$	
<b>At 31 December 2020</b>		
Carrying amount		364,865,581
<b>At 31 December 2019</b>		
Carrying amount		448,966,208
<b>For the year ended 31 December 2020</b>		
Depreciation charge		139,043,509
<b>For the year ended 31 December 2019</b>		
Depreciation charge		118,782,802
	<u>2020</u> HK\$	<u>2019</u> HK\$
Expenses relating to short-term leases	187,357	8,741,119
Total cash outflow for leases	148,585,125	100,260,785
Additions to right-of-use assets from new operating leases (Note)	<u>55,480,341</u>	<u>176,236,251</u>

Note: During the year, the Group entered into new lease agreements for office premises for period from 2 to 10 years (2019: 3 to 10 years). On the lease commencement date, the Group recognised right-of-use assets and lease liabilities. The addition of these assets and liabilities are non-cash in nature and not presented as part of the cash movement in consolidated statement of cash flow.

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 10 years (2019: 6 months to 10 years), but may have extension options as below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

**Extension options**

The Group has extension options in a number of office leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

## 12. RIGHT-OF-USE ASSETS - continued

**Extension options - continued**

	Lease liabilities recognised as at 31 December 2020 HK\$	Potential future lease payments not included in lease liabilities (undiscounted) HK\$
Office leases - Hong Kong	231,312,367	374,339,520
Office leases - Overseas	170,245,414	106,722,281
	Lease liabilities recognised as at 31 December 2019 HK\$	Potential future lease payments not included in lease liabilities (undiscounted) HK\$
Office leases - Hong Kong	308,611,963	374,339,520
Office leases - Overseas	170,770,804	100,143,787

**Leases committed**

As at 31 December 2020, the Group does not have any new office that is not yet commenced. As at 31 December 2019, the Group entered into a new office that is not commenced, with non-cancellable period of 2 years with extension options, the total future undiscounted cash flows under which amounted to HK\$20,867,994 over the non-cancellable period.

Details of the lease maturity analysis of lease liabilities are set out in note 28.

## 13. OTHER NON-CURRENT ASSETS

	<u>2020</u> HK\$	<u>2019</u> HK\$
Deposits with stock exchanges	1,913,733,633	963,554,986
Fee receivables	5,717,732	27,724,634
Loan receivable (note 22)	40,555,946	-
Other	9,685,033	19,141,375
	<u>1,969,692,344</u>	<u>1,010,420,995</u>



# CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

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## 14. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Registered capital/ Particulars of issued and paid-up capital**</u>	<u>Percentage of ordinary shares held</u>	<u>Principal activity</u>
China International Capital Corporation Hong Kong Asset Management Limited	Hong Kong	443,540,000 shares (2019: 362,540,000 shares)	100%	Asset management and advisory
China International Capital Corporation Hong Kong Securities Limited	Hong Kong	254,822,000 shares (2019: 115,522,000 shares)	100%	Securities broking, underwriting and advisory
China International Capital Corporation (Singapore) Pte. Limited	Singapore	52,000,000 shares	100%	Securities broking, underwriting and advisory
China International Capital Corporation (Japan) Limited	Japan	8,200 shares (2019: nil)	100%	Securities trading
CICC Deutschland GrmbH	Germany	EUR2,025,000 (2019: nil)	100%	Securities trading
CICC Financial Products Ltd.	British Virgin Islands	1 share	100%*	Securities trading
CICC Investment Group Company Limited	British Virgin Islands	100 shares	100%*	Investment holding
CICC US Securities, Inc.	The United States of America	680 shares	100%*	Securities broking
CICC Sun Company Limited	British Virgin Islands	100 shares	100%*	Investment holding
Perpetual Treasure Investment Management Ltd.	Cayman Islands	1 share	100%*	Investment holding
Profit Insight Limited	Hong Kong	1 share	100%*	Investment holding
Tianjin Jia Cheng Investment Management Company Limited	People's Republic of China	US\$150,000	100%*	Investment holding
China International Capital Corporation (UK) Limited	The United Kingdom	33,000,000 shares	100%	Securities broking and advisory
CICC Alternative Investment Management Ltd.	Cayman Islands	1 share	100%*	Investment holding
China International Capital Corporation Hong Kong Futures Limited	Hong Kong	72,000,000 shares	100%	Futures contracts broking

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## 14. INVESTMENTS IN SUBSIDIARIES - continued

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Registered capital/ Particulars of issued and paid-up capital**</u>	<u>Percentage of ordinary shares held</u>	<u>Principal activity</u>
CICC US Securities (Hong Kong) Limited	Hong Kong	15,500,001 shares	100%*	Securities broking
China International Capital Corporation (USA) Holdings Inc.	The United States of America	1,270,000 shares	100%	Investment holding
CICC Hong Kong Finance 2016 MTN Limited	British Virgin Islands	2 shares	100%	Note issuing
CICC Hong Kong Finance (Cayman) Limited	Cayman Islands	1 share	100%	Financing
CICC Investment Management (USA) Inc.	The United States of America	100,000 shares	100%*	Asset management
CICC Investment Management Co. Ltd.	Cayman Islands	1 share	100%*	Investment holding
CICC Growth Capital Fund GP, Ltd.	Cayman Islands	1 share	100%*	Investment holding
CICC Investment Advisory Company Limited	Hong Kong	1 share	100%*	Investment holding
CICC Financial Trading Limited	Hong Kong	1 share	100%*	Securities trading
CICC Commodity Trading Limited	British Virgin Islands	1 share	100%*	Securities trading
CICC PFG Cayman Limited	Cayman Islands	1 share	100%*	Investment holding
CICC Private Investment Holding Co. Limited	Cayman Islands	1 share	100%*	Investment holding

\* Indirectly held

\*\* Entities with no 2019 comparative disclose represent no change to share capital in both years.

## 15. INTERESTS IN ASSOCIATES

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Cost of investment in associates	2,085,763	2,085,763
Share of post-acquisition losses	(740,160)	(1,276,521)
Exchange adjustments	297,975	95,437
	<u>1,643,578</u>	<u>904,679</u>

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**15. INTERESTS IN ASSOCIATES - continued**

Details of each of Group's associates at the end of the reporting period are as follow:

<u>Name of entity</u>	<u>Country of incorporation/ registration</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest held by the Group</u>		<u>Proportion of voting rights held by the Group</u>		<u>Principal activity</u>
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
CMI Capital Limited ("CMI") (Note)	Hong Kong	Hong Kong	N/A	40%	N/A	40%	Dissolved
FC International	France	France	25%	25%	25%	25%	Asset management

Note: CMI initiated liquidation process in 2018. In 2019, CMI passed the shareholders' resolution to voluntarily dissolve the company. CMI was dissolved on 18 January 2020 and the dissolution has not resulted any gain or loss of the Group for the year ended 31 December 2020.

**16. INTERESTS IN JOINT VENTURES**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Cost of investment in joint ventures	312,798,569	314,220,725
Share of post-acquisition losses	(33,132,318)	(13,857,096)
	<u>279,666,251</u>	<u>300,363,629</u>

Details of each of Group's joint ventures at the end of the reporting period are as follow:

<u>Name of entity</u>	<u>Country of incorporation/ registration</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest held by the Group</u>		<u>Proportion of voting rights held by the Group</u>		<u>Principal activity</u>
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
CICC ALPHA Investment Group Limited	Cayman Island	Hong Kong	50%	50%	50%	50%	Investment holding
KCA Capital Partners	Cayman Island	Hong Kong	50%	55%	50%	55%	Asset management
Global Bridge Capital I GP, LLC	Cayman Island	Hong Kong	50%	50%	50%	50%	Asset management
Global Bridge Capital Management LLC	Cayman Island	Hong Kong	50%	50%	50%	50%	Asset management
Krane Funds Advisors, LLC	Delaware, the United States of America	Delaware, the United States of America	50.1%	50.1%	50.1%	50.1%	Asset management

## 16. INTERESTS IN JOINT VENTURES - continued

Details of group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Note: CICC ALPHA Investment Group Limited was established by the Company's subsidiary and a real estate investment manager, the other investor to this joint venture. CICC ALPHA Investment Group Limited is mainly engaged in investment activities.

KCA Capital Partners was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. KCA Capital Partners and its subsidiaries act as general partner and investment manager of a private equity fund, KCA Advantage Fund, Limited Partnership.

Global Bridge Capital I GP, LLC was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. Global Bridge Capital I GP, LLC acts as general partner of a private equity fund, Global Bridge Capital USD Fund I, L.P.

Global Bridge Capital Management, LLC was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. Global Bridge Capital Management, LLC acts as investment manager of a private equity fund, Global Bridge Capital USD Fund I, L.P.

Krane Funds Advisors, LLC ("Krane LLC") is the investment manager for Krane Shares ETFs.

The above joint ventures in which the Group participates, are unlisted corporate entities whose quoted market prices are not available.

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Gross amounts of Krane LLC's		
Current assets	126,869,707	366,854,191
Non-current assets	387,630	389,392
Current liabilities	(322,682,331)	(515,641,308)
Net liabilities	(195,424,994)	(148,397,725)
Revenue	225,113,954	137,344,087
Loss for the year	(39,390,258)	(41,103,383)
Reconciled to the Group's interest in Krane LLC		
Gross amounts of Krane LLC's net liabilities	(195,424,994)	(148,397,725)
Group's effective interest	50.1%	50.1%
Group's share of Krane LLC's net liabilities	(97,907,922)	(74,347,260)
Goodwill	298,949,000	299,455,055
Carrying amount in the consolidated financial statements	<u>201,041,078</u>	<u>225,107,795</u>

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16. INTEREST IN JOINT VENTURES - continued

Aggregate information of joint ventures those are not material:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Carrying amount of immaterial joint ventures in the consolidated financial statements	78,625,173	75,255,834
Amounts of the Group's share of joint ventures:		
Profit and total comprehensive income	3,589,884	33,774,679

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2020</u> HK\$	<u>2019</u> HK\$
Listed debt securities	<u>4,443,040,985</u>	<u>5,309,368,847</u>
Reclassification adjustments relating to components of other comprehensive income:		
	<u>2020</u> HK\$	<u>2019</u> HK\$
Changes in fair value recognised during the year	37,868,131	155,483,333
Tax effect (note 19)	4,155,022	(10,819,349)
Reclassification adjustment for amounts transferred to profit or loss:		
- Net gain on disposal	(61,990,163)	(8,189,523)
- Impairment allowance	<u>(944,605)</u>	<u>4,428,831</u>
Net movement in the revaluation reserve during the year recognised in other comprehensive income	<u>(20,911,615)</u>	<u>140,903,292</u>

18. FINANCIAL ASSETS HELD UNDER RESALE ARRANGEMENTS ("REVERSE REPO")

Analysed by collateral type:

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Current</b>		
Debt securities	398,264,751	721,134,729
Accrued interest	<u>(138,392)</u>	<u>351,213</u>
Total	<u>398,126,359</u>	<u>721,485,942</u>

18. FINANCIAL ASSETS HELD UNDER RESALE ARRANGEMENTS ("REVERSE REPO")  
- continued

The Group entered into reverse repurchase agreements of HK\$398,126,359 as at 31 December 2020 (2019: HK\$721,485,942). As at 31 December 2020, debt securities of HK\$388,925,904 (2019: HK\$716,357,995) were collateralised against the amounts receivable under these reverse repurchase agreements.

Interest incurred on reverse repurchase agreements has been reported as interest income. The agreements can be terminated by the Group or the counterparties on demand.

19. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Deferred tax assets	70,404,542	23,223,476
Deferred tax liabilities	(6,112,453)	(10,989,068)
	<u>64,292,089</u>	<u>12,234,408</u>

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	<u>Tax loss</u> HK\$	<u>Impairment</u> <u>provisions</u> HK\$	<u>Difference</u> <u>between</u> <u>depreciation</u> <u>allowances</u> <u>and related</u> <u>depreciation</u> HK\$	<u>Fair value</u> <u>changes</u> <u>of financial</u> <u>instruments</u> <u>at FVTPL</u> HK\$	<u>Fair value</u> <u>changes</u> <u>of financial</u> <u>instruments at</u> <u>FVTOCI</u> HK\$	<u>Others</u> HK\$	<u>Total</u> HK\$
<b>Deferred tax arising from:</b>							
At 1 January 2019	25,637,035	8,285,466	3,823,245	(2,488,279)	-	47,267	35,304,734
(Charged)/credited to profit or loss (note 9(a))	(12,477,015)	(415,918)	(1,605,928)	634,740	1,642,852	(42,423)	(12,263,692)
Charged to other comprehensive income	-	-	-	-	(10,819,349)	-	(10,819,349)
Exchange difference	-	(23,409)	-	48,301	(15,705)	3,528	12,715
At 31 December 2019	13,160,020	7,846,139	2,217,317	(1,805,238)	(9,192,202)	8,372	12,234,408
Credited/(charged) to profit or loss (note 9(a))	28,735,285	20,471,881	(703,330)	(428,244)	(43,695)	-	48,031,897
Credited/(charged) to other comprehensive income	-	-	-	-	4,155,022	-	4,155,022
Exchange difference	-	606	-	(128,473)	(1,910)	539	(129,238)
At 31 December 2020	<u>41,895,305</u>	<u>28,318,626</u>	<u>1,513,987</u>	<u>(2,361,955)</u>	<u>(5,082,785)</u>	<u>8,911</u>	<u>64,292,089</u>

Deferred tax assets are recognised for tax losses and deductible temporary difference from deferred compensation and impairment carried forward to the extent that realisation of the deferred tax benefit through future profits is probable. Based on the recent business plan, management considered that the respective group companies would be able to generate taxable profits to utilise the deferred tax assets in the foreseeable future.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Financial assets at fair value through profit or loss</b>		
Debt securities, at fair value		
- Listed	15,364,251,382	15,369,625,386
- Unlisted	189,935,758	243,869,618
	<u>15,554,187,140</u>	<u>15,613,495,004</u>
Equity securities, at fair value		
- Listed in Hong Kong	4,676,393,121	8,331,121,418
- Listed outside Hong Kong	82,293,080,751	47,921,372,085
- Unlisted	893,914,842	671,324,645
	<u>87,863,388,714</u>	<u>56,923,818,148</u>
Equity linked financial instrument		
- Unlisted	36,737,619	33,223,286
	<u>36,737,619</u>	<u>33,223,286</u>
Funds, at fair value		
- Listed	2,971,478,716	1,258,725,836
- Unlisted	2,343,831,639	1,314,533,482
	<u>5,315,310,355</u>	<u>2,573,259,318</u>
	<u>108,769,623,828</u>	<u>75,143,795,756</u>

Included in above balances is an amount of HK\$2,023,874,856 (2019: HK\$1,936,549,523) which is expected to be recovered in more than one year and therefore is classified as non-current assets as at 31 December 2020. The remaining balance of HK\$106,745,748,972 (2019: HK\$73,207,246,233) is classified as current assets.

As at 31 December 2020, securities of HK\$232,402,024 (2019: HK\$2,655,486,576) held by the Group were pledged in respect of the Group's overdraft facilities with brokers.

21. ACCOUNTS RECEIVABLE

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accounts receivable		
- Margin clients	3,112,634,471	1,647,131,877
- Cash clients	3,879,086,918	2,295,287,169
- Clearing houses	2,494,064,805	376,645,481
- Brokers	27,222,844,550	9,171,512,946
- Fee receivables	839,831,223	531,918,438
- Others	32,374,100	347,370,209
Less: Impairment allowances for credit losses	(126,547,826)	(29,396,763)
	<u>37,454,288,241</u>	<u>14,340,469,357</u>

## 21. ACCOUNTS RECEIVABLE - continued

Accounts receivable are expected to be recovered on demand or within one year.

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement term of accounts receivable arising from the business of dealing in securities is few days after trade date.

Normal settlement terms of accounts receivable from advisory, asset and fund management are determined in accordance with the contract terms, usually within one year after the services provided.

Included in accounts receivable from brokers in the above is cash collateral of HK\$17,331,280,768 (2019: HK\$6,485,215,826) held with brokers which had been pledged to the brokers as collateral for the Group's derivative instruments and securities borrowing transaction. Collateral paid under stock borrowing agreements is repayable upon expiry of relevant stock borrowing agreements and the relevant stocks borrowed are returned to the lender.

Margin loans due from margin clients of HK\$3,112,634,471 (2019: HK\$1,647,131,877) are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 December 2020, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$15,003,095,910 (2019: HK\$5,137,237,222).

## 22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$	2019 HK\$
Rental deposits	39,048,496	37,587,756
Other receivables and prepayments	1,508,826,342	2,294,581,708
Less: Impairment allowances for credit losses	(187,969,581)	-
	1,359,905,257	2,332,169,464
Less: Current other receivables, deposits and prepayments	1,319,349,311	2,332,169,464
Non-current other receivables included in "Other non-current assets" (note 13)	40,555,946	-

Included in other receivables balance of HK\$209 million (2019: HK\$335 million) are unsecured loans to a joint venture which is carried an interest at 2% plus London Inter-bank Offered Rate per annum, is unsecured and repayable on demand.

Included in other receivables balance of HK\$134 million (2019: HK\$745 million) are loans to third party customers of which HK\$134 million are unsecured (2019: HK\$33 million). The loans carried fixed interest rates at 8% (2019: 6% to 8%) per annum and with remaining maturity within 1 to 3 years (2019: within 1 year).



## 22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued

During the year ended 31 December 2020, there was a default of a loan to a third party. The remaining outstanding balance as at 31 December 2020 is HK\$185,255,283. As at 31 December 2020, the directors of the Company consider the recovery of the remaining outstanding is remote and the receivable is classified as stage 3. As a result, credited-impaired lifetime ECL was provided to the entire outstanding loan balance and the related interest amounted to HK\$185,255,283.

Included in other receivables balance of HK\$773 million (2019: HK\$1,083 million) are unsecured loans to fellow subsidiaries which carried fixed interest rates at 1% (2019: 2% to 4%) per annum and repayable on demand (2019: within 1 year).

All of the other receivables and deposits are expected to be recovered within one year.

## 23. AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/JOINT VENTURES

Amounts due from/to the ultimate holding company/fellow subsidiaries/joint ventures are unsecured, interest-free and repayable on demand.

## 24. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	<u>2020</u> HK\$	<u>2019</u> HK\$
General accounts:		
- deposits with banks	4,562,315,682	366,459,327
- cash at banks and on hand	12,592,901,796	3,294,789,100
Impairment allowance	(4,093)	(118,181)
Fixed deposits with original maturity over three months (Note)	<u>(21,703,193)</u>	<u>(99,566,295)</u>
Cash and cash equivalents in the consolidated statement of financial position	<u>17,133,510,192</u>	<u>3,561,563,951</u>

Note: Included in fixed deposits with original maturity over three months, HK\$21,703,193 (2019: HK\$21,805,979) represented restricted bank deposits.

The Group maintains segregated client accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage and asset management activities. As at 31 December 2020, segregated client accounts not dealt with in these consolidated financial statements amounted to HK\$15,209,315,655 (2019: HK\$5,902,919,780).

## 24. CASH AND CASH EQUIVALENTS - continued

## (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 consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities HK\$	Bank loans HK\$	Short-term notes issued HK\$	Long-term notes issued HK\$	Interest payable included in other creditors and accruals HK\$	Total HK\$
At 1 January 2020	479,382,767	8,420,666,157	7,347,539,487	15,534,476,708	188,679,855	31,970,744,974
Net proceeds from bank loans	-	322,034,857	-	-	-	322,034,857
Proceeds from issuance of long-term notes	-	-	-	11,544,252,116	-	11,544,252,116
Payment of redemption of long-term notes	-	-	-	-	-	-
Proceeds from issuance of short-term notes	-	-	9,423,030,839	-	-	9,423,030,839
Payment of redemption of short-term notes	-	-	(8,824,738,342)	-	-	(8,824,738,342)
Payment of lease liabilities	(148,585,125)	-	-	-	-	(148,585,125)
Interest paid	-	-	-	-	(1,012,254,480)	(1,012,254,480)
Total changes from financing cash flows	(148,585,125)	322,034,857	598,292,497	11,544,252,116	(1,012,254,480)	11,303,739,865
Other change						
Addition of lease liabilities	55,480,341	-	-	-	-	55,480,341
Interest accrued	-	-	-	-	956,783,444	956,783,444
Interest element of lease liabilities	15,279,798	-	-	-	-	15,279,798
Total other change	70,760,139	-	-	-	956,783,444	1,027,543,583
At 31 December 2020	401,557,781	8,742,701,014	7,945,831,984	27,078,728,824	133,208,819	44,302,028,422

	Lease liabilities HK\$	Bank loans HK\$	Short-term notes issued HK\$	Long-term notes issued HK\$	Interest payable included in other creditors and accruals HK\$	Total HK\$
At 1 January 2019	387,348,826	33,806,861	2,219,644,837	11,721,904,246	97,775,606	14,460,480,376
Net proceeds from bank loans	-	8,386,859,296	-	-	-	8,386,859,296
Proceeds from issuance of long-term notes	-	-	-	7,761,031,348	-	7,761,031,348
Payment of redemption of long-term notes	-	-	-	(3,948,458,886)	-	(3,948,458,886)
Proceeds from issuance of short-term notes	-	-	11,153,987,206	-	-	11,153,987,206
Payment of redemption of short-term notes	-	-	(6,026,092,556)	-	-	(6,026,092,556)
Payment of lease liabilities	(100,260,785)	-	-	-	-	(100,260,785)
Interest paid	-	-	-	-	(878,293,662)	(878,293,662)
Total changes from financing cash flows	(100,260,785)	8,386,859,296	5,127,894,650	3,812,572,462	(878,293,662)	16,348,771,961
Other change						
Addition of lease liabilities	176,236,251	-	-	-	-	176,236,251
Interest accrued	-	-	-	-	969,197,911	969,197,911
Interest element of lease liabilities	16,058,475	-	-	-	-	16,058,475
Total other change	192,294,726	-	-	-	969,197,911	1,161,492,637
At 31 December 2019	479,382,767	8,420,666,157	7,347,539,487	15,534,476,708	188,679,855	31,970,744,974

## 25. ACCOUNTS PAYABLE

The following is an analysis of accounts payable at the end of the reporting period:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accounts payable		
- Cash clients	8,202,235,622	2,420,759,884
- Margin clients	219,800,994	108,337,466
- Clearing houses	3,199,493	267,580,594
- Brokers	4,469,485,404	3,559,308,127
Margin deposits received in relation to derivative trading	34,137,892,620	12,770,864,457
Fee payable	454,882,560	164,424,665
Others	49,388,727	181,729,015
	<u>47,536,885,420</u>	<u>19,473,004,208</u>

All accounts payable and margin deposits received are under normal course of business. The amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

## 26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> HK\$	<u>2019</u> HK\$
Short positions in equity securities, at fair value		
- Listed in Hong Kong	3,240,887,825	2,312,126,371
- Listed outside Hong Kong	7,849,893	321,640,807
Short positions in equity-linked financial instrument at fair value		
- Unlisted	39,508,242,451	23,078,268,671
Short positions in debt securities, at fair value		
- Listed	362,461,050	524,205,798
Short positions in structured notes, at fair value		
- Unlisted	1,171,820,953	468,749,498
	<u>44,291,262,172</u>	<u>26,704,991,145</u>

Included in financial liabilities at fair value through profit or loss are financial liabilities designated at FVTPL which are the short position of equity-linked financial instruments amounting to HK\$39,508 million (2019: HK\$23,078 million) held and structured notes amounting to HK\$1,172 million (2019: HK\$468 million) issued by the Group. The risk of economic exposure of these financial products is primarily hedged by certain financial instruments held by the Group classified as financial assets at FVTPL. The Group managed relevant assets and liabilities on a pair basis and such relevant liabilities are valued with direct reference to its hedging assets. The remaining balances represent financial liabilities held for trading at the end of the reporting period.

## 27. FINANCIAL ASSETS HELD UNDER REPURCHASE ARRANGEMENTS ("REPO")

Analysed by collateral type:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Equity securities	790,191,718	7,938,497,501
Debt securities	2,881,173,094	3,434,499,121
Accrued interest	3,536,737	39,191,696
Total	<u>3,674,901,549</u>	<u>11,412,188,318</u>

The Group entered into repurchase agreements of HK\$3,674,901,549 as at 31 December 2020 (2019: HK\$11,412,188,318). As at 31 December 2020, securities of HK\$4,290,748,074 (2019: HK\$13,222,018,550) were secured against the liability under these repurchase agreements. Interest incurred on repurchase agreements has been reported as interest expenses. The agreements can be terminated by the Group or the counterparties on demand.

## 28. LEASE LIABILITIES

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Lease liabilities payable:</b>		
Within one year	149,344,083	130,136,997
More than one year but not more than two years	129,534,530	129,830,773
More than two years but not more than five years	56,295,521	137,536,642
Within a period of more than five years	66,383,647	81,878,355
	<u>401,557,781</u>	<u>479,382,767</u>
Less: Current lease liabilities payable	(149,344,083)	(130,136,997)
Non-current lease liabilities payable	<u>252,213,698</u>	<u>349,245,770</u>

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

As at 31 December	<u>2020</u> HK\$	<u>2019</u> HK\$
United States Dollar	139,923,172	146,070,151
Great British Pound	8,132,125	13,947,741
Euro	4,941,787	6,309,913
Singapore Dollar	17,248,330	4,411,924
Japanese Yen	7,902,352	-

## 29. OTHER CREDITORS AND ACCRUALS

The following is an analysis of other creditors and accruals at the end of the reporting period:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accrued expenses	1,720,841,333	1,224,852,167
Third party interest in consolidated investment funds (Note)	1,533,466,899	529,732,165
Interest payable	133,208,819	188,679,855
Others	239,106,016	380,417,694
	<u>3,626,623,067</u>	<u>2,323,681,881</u>

Note: Amount represents payables to the investors of consolidated structured entities which is measured at fair value through profit or loss. For each reporting period, the consolidation scope of structured entities varies due to the addition and liquidation of the consolidated structured entities, and changes in the interests therein. As at 31 December 2020, the total assets of the consolidated investment funds are HK\$2,826 million (2019: HK\$1,635 million). The Group did not provide financial supports to the consolidated investment funds.

## 30. BANK LOANS AND OVERDRAFTS

At 31 December 2020, the bank loans and overdrafts were as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Bank loans		
- unsecured	8,742,701,014	8,236,469,144
- secured	-	184,197,013
	<u>8,742,701,014</u>	<u>8,420,666,157</u>

The carrying amounts of the bank borrowings approximate to their fair value. The bank loans bear interests from 1% to 3.5% (2019: 1.9% to 4.7%) per annum and are repayable within one year.

## 31. NOTES ISSUED

	<u>2020</u> HK\$	<u>2019</u> HK\$
Long-term notes issued		
- Current	7,747,694,226	-
- Non-current	19,331,034,598	15,534,476,708
	<u>27,078,728,824</u>	<u>15,534,476,708</u>
Short-term notes issued	<u>7,945,831,984</u>	<u>7,347,539,487</u>

31. NOTES ISSUED - continued

On 18 May 2016, CICC Hong Kong Finance 2016 MTN Limited (the "issuer"), a subsidiary of the Company issued long-term notes of US\$500,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 2.75% per annum and repayable on 18 May 2019. The notes are carried at amortised cost. This note was fully redeemed in 2019.

On 25 April 2018, the issuer issued long-term notes of US\$600,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-month LIBOR plus 1.2% per annum and repayable on 25 April 2021.

On 11 September 2018, the issuer issued long-term notes of US\$400,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-month LIBOR plus 1.2% per annum and repayable on 11 September 2021.

On 3 May 2019, the issuer issued long-term notes of US\$300,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3.375% per annum and repayable on 3 May 2022.

On 3 May 2019, the issuer issued long-term notes of US\$700,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-month LIBOR plus 1.175% per annum and repayable on 3 May 2022.

On 18 February 2020, the issuer issued long-term notes of US\$1,000,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-month LIBOR plus 0.9% per annum and repayable on 18 February 2023.

On 10 August 2020, the issuer issued long-term notes of US\$500,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 1.75% per annum and repayable on 10 August 2023.

On 28 September 2020, the issuer issued short-term notes of US\$123,200,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 1.05% per annum and repayable on 27 September 2021.

As at 31 December 2020, fair value of the long-term notes issued is amounted to HK\$27,094,685,238 (2019: HK\$15,654,060,734), and that of the short-term notes issued is amounted to HK\$954,299,170 (2019: nil).

## 31. NOTES ISSUED - continued

The following features are embedded in the notes issued by the issuer:

- The notes can be redeemed by the issuer at any time prior to the maturity date if the Company is obliged to pay additional taxation amounts as a result of any change in, or amendment to, the laws or regulations;
- The noteholders can demand the issuer to early redeem the notes if there is change of control event under the following circumstances:
  - (i) Central Huijin Investment Ltd. directly or indirectly ceases to be the largest shareholder of the ultimate holding company;
  - (ii) the ultimate holding company ceases to directly or indirectly hold or own 100 per cent of the issued share capital of the Company; or
  - (iii) the Company ceases to directly or indirectly hold or own 100 per cent of the issued share capital of the issuer.

As at 31 December 2020, CICC Financial Products Ltd., a subsidiary of the Company issued short-term notes totalling HK\$6,146,478,614 (2019: HK\$7,207,358,192) bearing nominal interest ranging from 0.5% to 3.27% per annum (2019: 1.23% to 3.80% per annum), repayable within one year.

As at 31 December 2020, CICC Financial Trading Limited, a subsidiary of the Company issued short-term notes totalling HK\$844,953,974 (2019: HK\$140,181,295) bearing nominal interest at 0.53% to 3.00% per annum (2019: 2.55% to 2.70% per annum), repayable within one year.

## 32. SHARE CAPITAL AND RESERVES

## (a) Share capital

	2020		2019	
	No. of ordinary shares	Amount HK\$	No. of ordinary shares	Amount HK\$
<b>Issued and fully paid:</b>				
At 1 January	227,660,000	2,300,000,000	132,600,000	1,349,400,000
Shares issued	160,000,000	1,600,000,000	95,060,000	950,600,000
At 31 December	387,660,000	3,900,000,000	227,660,000	2,300,000,000

On 14 September 2020, the Company issued 160,000,000 ordinary shares of HK\$10 each to its immediate holding company. On 8 August 2019, the Company issued 95,060,000 ordinary shares of HK\$10 to its holding company. The new shares issued rank pari passu in all respects with the existing shares.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

32. SHARE CAPITAL AND RESERVES - continued

(a) Share capital - continued

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.

(b) Movements in components of equity

The Company

	Share capital HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2019	1,349,400,000	1,875,230,576	3,224,630,576
Shares issued	950,600,000	-	950,600,000
Profit for the year	-	33,992,539	33,992,539
Balance at 31 December 2019 and 1 January 2020	2,300,000,000	1,909,223,115	4,209,223,115
Shares issued	1,600,000,000	-	1,600,000,000
Loss for the year	-	(296,606,455)	(296,606,455)
Balance at 31 December 2020	3,900,000,000	1,612,616,660	5,512,616,660

The movement in the Group's components of equity has been disclosed in the consolidated statement of changes in equity.

(c) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Group's capital management objectives.

The Company defines "capital" as including all components of equity.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group or the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance. The Company was not subject to externally imposed capital requirements in 2020 and 2019. Certain subsidiaries of the Company are subject to regulatory imposed capital requirements and these subsidiaries have complied with these requirements at all time during both the current and prior financial years.



## 32. SHARE CAPITAL AND RESERVES - continued

## (d) Nature and purpose of reserves

*Exchange reserve*

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.

*Revaluation reserve (recycling)*

The investment revaluation reserve comprises the cumulative net changes in fair values of financial assets at fair value through other comprehensive income under HKFRS 9 held at the end of year.

## 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:

<u>Type of unconsolidated structured entities</u>	<u>Nature and purpose</u>	<u>Asset management/ investment advisory fees earned in 2020</u> HK\$	<u>Carrying amounts of interests held by the Group at 31 December 2020</u> HK\$
Investment funds - the Group acts as the investment manager or investment advisor	To manage assets on behalf of third party investors and generate fees for the investment manager/investment advisor	159,926,373	1,458,083,631
Investment funds - third parties act as the investment managers or investment advisors	To hold an interest in the mutual funds sponsored by other institutions	-	3,926,956,809

## 33. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES - continued

Type of unconsolidated structured entities	Nature and purpose	Asset management/ investment advisory fees earned in 2019 HK\$	Carrying amounts of interests held by the Group at 31 December 2019 HK\$
Investment funds - the Group acts as the investment manager or investment advisor	To manage assets on behalf of third party investors and generate fees for the investment manager/investment advisor	86,475,576	483,774,217
Investment funds - third parties act as the investment managers or investment advisors	To hold an interest in the mutual funds sponsored by other institutions	-	2,028,733,677

These unconsolidated structured entities are mainly financed through the issue of units to investors. The maximum exposure to loss is limited to the carrying amount of the interest held by the Group presented above. The exposure to the variable returns in these structured entities is not significant, thus the Group did not consolidate these structured entities.

During the year, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

## 34. FINANCIAL GUARANTEES

At 31 December 2020, the Company had bank guarantees of HK\$2,961,000,000 (2019: HK\$2,377,000,000) for banking facilities granted to wholly-owned subsidiaries at no consideration. Other than the above bank guarantees, the Group has not entered into other bank guarantees during both the current and prior financial years.

## 35. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and the ultimate holding company at 31 December 2020 to be China International Capital Corporation Limited which is established in the People's Republic of China. The ultimate controlling party produces consolidated financial statements for public use.

## 36. DERIVATIVES

The use of derivatives for proprietary trading and their sale to customers as risk management products are an integral part of the Group's business activities. The principal derivative financial instruments used by the Group are foreign exchange rate, interest, commodity, credit and equity related contracts, which are primarily over-the-counter derivatives. For accounting purposes, derivatives are classified as financial assets or liabilities at FVTPL.

## (a) Fair value of derivatives

	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	HK\$	HK\$	HK\$	HK\$
Currency derivatives				
- Forwards	1,007,925,336	2,887,357,373	234,301,633	392,108,886
Credit derivatives				
- Credit default swaps	362,674	4,286,536	956,535	14,512,820
Interest rate derivatives				
- Swaps	64,167,753	94,013,000	17,863,456	84,693,430
- Futures	3,973,432	6,601,732	3,068,426	421,772
Equity derivatives				
- Total return swaps	6,109,084,081	17,496,254,429	2,020,710,580	3,278,046,302
- Options purchased	55,788,971	-	378,259,770	-
- Options written	-	361,397,917	-	612,213,176
- Futures	51,206,549	1,355,341,023	10,680,337	157,641,351
Commodity derivatives				
- Forwards	125,693,685	157,321,197	405,992,696	257,809,691
- Options purchased	9,694,540	9,801,526	1,586,540	-
- Futures	625,283,927	522,274,876	109,599,952	121,830,885
	8,053,180,948	22,894,649,609	3,183,019,925	4,919,278,313

36. DERIVATIVES - continued

(b) Remaining life of derivatives

The following table provides an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping based on the remaining periods to settlement at the end of the reporting period.

	31 December 2020					
	Notional amounts with remaining life of 1 year or less		Notional amounts with remaining life of 1 to 5 years		Notional amounts with remaining life over 5 years	
Total	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Currency derivatives						
- Forwards	109,849,358,168	45,421,823,869	64,427,534,299	-	-	-
Credit derivatives						
- Credit default swaps	280,876,027	38,763,010	38,763,010	203,350,007	-	-
Interest rate derivatives						
- Swaps	21,935,669,402	7,865,882,845	9,189,165,935	1,912,513,060	-	-
- Futures	10,402,143,866	4,687,086,655	5,715,057,211	-	-	-
Equity derivatives						
- Total return swap	232,144,900,440	101,918,682,248	130,165,184,202	40,811,238	-	-
- Options purchased	691,767,947	668,510,141	-	23,257,806	-	-
- Options written	3,633,042,739	-	3,633,042,739	-	-	-
- Futures	18,848,367,057	2,343,946,967	16,504,420,090	-	-	-
Commodity derivatives						
- Forwards	7,763,736,169	3,669,948,479	4,093,787,690	-	-	-
- Options purchased	400,136,290	124,480,275	275,656,015	-	-	-
- Futures	16,128,617,843	8,367,519,490	7,761,098,353	-	-	-

36. DERIVATIVES - continued

(b) Remaining life of derivatives - continued

		31 December 2019					
	Total	Notional amounts with remaining life of 1 year or less		Notional amounts with remaining life of 1 to 5 years		Notional amounts with remaining life over 5 years	
		Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Currency derivatives	42,845,883,929	16,050,994,977	26,794,888,952	-	-	-	-
- Forwards							
Credit derivatives	694,570,095	-	-	116,817,745	577,752,350	-	-
- Credit default swaps							
Interest rate derivatives	8,600,280,798	2,907,905,060	3,949,775,966	334,569,040	1,408,030,732	-	-
- Swaps	1,890,270,536	959,402,271	702,610,382	228,257,883	-	-	-
- Futures							
Equity derivatives	58,685,305,642	25,643,437,178	33,041,868,464	-	-	-	-
- Total return swap	1,610,124,973	1,471,092,386	-	139,032,587	-	-	-
- Options purchased	1,409,902,075	-	1,409,902,075	-	-	-	-
- Options written	7,227,425,814	337,311,436	6,890,114,378	-	-	-	-
- Futures							
Commodity derivatives	13,660,714,050	7,168,320,895	6,492,393,155	-	-	-	-
- Forwards	9,392,147	9,392,147	-	-	-	-	-
- Options purchased	5,432,623,769	2,793,835,751	2,638,788,018	-	-	-	-
- Futures							

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Major risk factors of financial instruments, traded by the Group, include both market (e.g. equity, currency and interest rate) and credit risks. There is a well-established risk management framework that covers essential functions including risk identification, measurement, monitoring and reporting. There are defined policies, standards, structures, methods and procedures, which form a comprehensive risk management system. All stakeholders, including designated risk managers, play roles in various areas such as credit risk management and market risk management.

Risk limit management is an integral part of the risk management system, and it covers limit setting, approval, monitoring, reporting and review. Risk exposures are calculated, monitored against approved limits, and reported on a daily basis.

(a) Credit risk

Credit risk is the risk that financial loss arises from the failure of a client or counterparty to meet its obligations under a transaction.

In the course of its broking, dealing and investment banking activities, the Group is exposed to credit risk exposure. The credit risks consist of:

- (i) Default risk of issuer to repay principal and interest of debt securities held by the Group and the default risk of banks, brokers and clearing houses with which the Group has deposited cash or securities;
- (ii) Default risk from the counterparties of the over-the-counter derivative transactions;
- (iii) Default risk from customers where fees receivable are not settled;
- (iv) Settlement risk arising where cash payments or delivery of securities are made against expected receipt of counterparty or client payment on the same date and the receipt of the counterparty or client payment is uncertain; and
- (v) Default risk from margin clients with inadequate securities collateral and margin deposits under unfavourable market conditions.

The Group has concentration of credit risk towards its accounts receivable, other receivables, amount due from the ultimate holding company, debt securities, derivative financial instruments, and cash and cash equivalents. The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset and the notional amount of credit default swap entered by the Group as disclosed in note 36. The Group has a well-established credit risk management process which is governed by the Group's credit policies and procedures approved by senior management. These processes involve the delegation of credit approval authorities, reviewing and establishing limits for each type of credit exposure on different products for each client and counterparty, monitoring of risks and reporting procedures.

Transactions involving derivative financial instruments are with counterparties of defined credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations. In addition, for counterparties with low credit standing, the Group requires them to post collateral to cover any potential risks. Settlement with clients and counterparties is usually conducted on delivery versus payment basis.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

In respect of accounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry. In respect of investments of the Group and clients' securities kept by and receivables from banks, brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with banks, brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry. Management monitors the credit rating and financial position of the banks, brokers and clearing houses on an ongoing basis.

The Group considers that the credit risk of amount due from the ultimate holding company, fellow subsidiaries and joint ventures is insignificant, all balances are classified as stage 1 (subject to 12m ECL) and the expected credit losses are insignificant.

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities borrowing and lending, reverse REPOs transactions, other lending and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

As at 31 December 2020 and 2019, reverse REPOs are classified as stage 1 and the directors of the Company considers that there is no significant increase in credit risk and expected credit losses are insignificant.

Cash held by the Group and clients' money are deposited with various banks which are considered reputable with high credit standing. The Group monitors the credit rating and financial position of the banks on an ongoing basis, thus the credit risk is considered as limited and the expected credit loss is insignificant.

**Accounts receivable from clients, accounts receivable from brokers and fee receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all clients. Margin clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its margin clients. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by the management on a real time basis. Margin calls and forced liquidation are made where necessary.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (a) Credit risk - continued

**Accounts receivable from clients, accounts receivable from brokers and fee receivables - continued**

Impairment losses in respect of accounts receivable from clients, accounts receivable from brokers and fee receivables are recorded using an allowance account unless the Group assessed that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

The movement in the allowance for impairment losses of accounts receivable from clients, accounts receivable from brokers and fee receivables during the year are as follows:

	12m ECL HK\$	Lifetime ECL not credit-impaired HK\$	Lifetime ECL credit-impaired HK\$	Total HK\$
<b>As at 1 January 2019</b>	<b>3,435,617</b>	<b>-</b>	<b>11,688,202</b>	<b>15,123,819</b>
Changes due to financial instruments recognised as at 1 January 2019:				
- Transfer to credit-impaired	-	-	-	-
- Transfer to lifetime ECL	-	-	-	-
- Transfer to 12m ECL	-	-	-	-
- Impairment losses recognised	255,782	-	2,277,619	2,533,401
- Impairment losses reversed	(1,632,097)	-	-	(1,632,097)
New financial assets originated or purchased	826,420	-	13,956,101	14,782,521
Financial assets derecognised (including written-offs)	(1,261,128)	-	-	(1,261,128)
Others	(100,000)	-	(49,753)	(149,753)
<b>As at 31 December 2019</b>	<b>1,524,594</b>	<b>-</b>	<b>27,872,169</b>	<b>29,396,763</b>
Changes due to financial instruments recognised as at 1 January 2020:				
- Transfer to credit-impaired	-	-	-	-
- Transfer to lifetime ECL	(40,135)	40,135	-	-
- Transfer to 12m ECL	-	-	-	-
- Impairment losses recognised	2,624,431	11,554,821	2,453,376	16,632,628
- Impairment losses reversed	(63,095)	-	-	(63,095)
New financial assets originated or purchased	77,958,552	3,163,502	-	81,122,054
Financial assets derecognised (including written-offs)	(607,000)	-	-	(607,000)
Others	4,258	3,142	59,076	66,476
<b>As at 31 December 2020</b>	<b>81,401,605</b>	<b>14,761,600</b>	<b>30,384,621</b>	<b>126,547,826</b>



## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (a) Credit risk - continued

**Accounts receivable from clients, accounts receivable from brokers and fee receivables - continued**

As at 31 December 2020, except for accounts receivable from margin clients amounting to HK\$16,367,401 (2019: HK\$13,956,101) which are credit-impaired with a full provision of expected credit losses made, the remaining receivables from margin client are not credit-impaired and relate to a wide range of customers with no recent history of default or with sufficient collaterals. The remaining accounts receivable from margin clients are classified as stage 1 as there is no significant increase in credit risk. An impairment of HK\$11,502,052 (2019: HK\$1,524,593) was recognised for stage 1 accounts receivable from margin clients as at 31 December 2020.

As at 31 December 2020 and 2019, accounts receivables from brokers, clearing houses are classified at stage 1 and the directors of the Company considers that there is no significant increase in credit risk and the expected credit losses are approximately HK\$69,899,553 million (2019: nil).

As at 31 December 2020, an impairment of HK\$13,767,709 (2019: HK\$13,681,635) has been fully provided for fee receivables which are considered as credit-impaired. The directors of the Company consider the remaining fee receivables as fully recoverable.

Management of the Group considers expected credit losses of the remaining accounts receivable from clients is insignificant for the years ended 31 December 2020 and 2019.

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**

The Group focuses on decentralising investments for the credit-type fixed income securities investment which are mainly high-credit rating products. The Group pre-controls the exposure of the credit risk by setting investment position limit, classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer's business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc. At the same time, the Group is highly prudent in the investment of the asset-based securities products and strictly evaluates the quality of the underlying asset pool and the effectiveness of the credit enhancement.

In accordance with HKFRS 9, the Group started to recognise provision for expected credit losses in respect of debt investments not measured at fair value through profit or loss based on expected credit loss since 2018. The Group classifies each financial instrument into different risk stages based on whether the credit risk of the relevant financial instrument has increased significantly since its initial recognition. A financial instrument is included in stage 1 if it has low credit risk at the reporting date or its credit risk has not increased significantly since its initial recognition; a financial instrument is included in stage 2 (lifetime ECL not credit impaired) if its credit risk has increased significantly since its initial recognition; a financial instrument is migrated to stage 3 (lifetime ECL credit impaired) if it has objective evidence of credit-impairment. Accordingly, the Group measures loss allowance based on either a 12-month or the lifetime base for those investments in different risk stages. The Group measures the expected credit loss based on parameters such as Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**  
- continued

The following table presents an analysis of the credit quality of debt investments at FVTOCI and FVTPL by carrying amount. It indicates whether assets measured at FVTOCI were subject to a 12m ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired. At 31 December 2020, none of debt investments at FVTOCI are classified as stage 2 or stage 3 (2019: None).

*The Group*

Credit rating	As at 31 December			
	2020		2019	
	FVTPL HK\$	FVTOCI (subject to 12m ECL) HK\$	FVTPL HK\$	FVTOCI (subject to 12m ECL) HK\$
Bloomberg comprehensive rating				
- AAA	15,955	-	15,223	-
- From AA- to AA+	39,606,364	-	-	-
- From A- to A+	1,299,037,621	1,432,589,174	1,470,955,392	1,906,239,793
- Below A-	5,046,186,209	2,513,561,870	3,687,508,103	3,106,186,069
Sub-total	6,384,846,149	3,946,151,044	5,158,478,718	5,012,425,862
Other comprehensive rating				
- AAA	27,677,780	-	54,392,830	-
- From AA- to AA+	408,189,755	-	147,059,176	-
- From A- to A+	20,233,545	-	-	-
Sub-total	456,101,080	-	201,452,006	-
Non-rated (Note)	8,713,239,911	496,889,941	10,253,564,280	296,942,985
Carrying amount before impairment	15,554,187,140	4,443,040,985	15,613,495,004	5,309,368,847
Loss allowance	-	(8,507,292)	-	(9,506,293)
Total	15,554,187,140	4,434,533,693	15,613,495,004	5,299,862,554

Note: Non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies. The Group monitors the credit rating of the issuer of non-rated debt securities and assesses the credit risk of the relevant debt securities.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (a) Credit risk - continued

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**  
- continued*Movement of allowance for impairment losses*

The movement in the allowance for impairment losses in respect of debt investments at FVTOCI during the year was as follows:

	12m ECL	
	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
As at 1 January	9,506,293	5,135,549
Impairment losses recognised	70,054	129,485
Impairment losses reversed	(8,554,948)	(2,641,135)
New financial assets originated or purchased	7,540,289	6,940,481
Financial assets derecognised (including written-offs)	-	-
Others	(54,396)	(58,087)
As at 31 December	<u>8,507,292</u>	<u>9,506,293</u>

As at 31 December 2020 and 2019, there was no lifetime ECL on debt investments held by the Group.

**Derivatives**

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns corresponding credit ratings accordingly. On the basis of credit ratings, the Group sets credit risk exposure limits for counterparties, and manage counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Other non-derivative financial investments (other than accounts receivable from clients, accounts receivable from brokers, fee receivables and debt investment)**

The Group has adopted the following measures to manage credit risk: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

The movement in the allowance for impairment losses of other financial instruments at amortised cost during the year are as follows:

	2020			
	12m ECL HK\$	Lifetime ECL not credit-impaired HK\$	Lifetime ECL credit-impaired HK\$	Total HK\$
<b>As at 1 January 2020</b>	-	-	-	-
Changes due to financial instruments recognised as at 1 January 2020:				
- Impairment losses recognised	1,486,664	-	185,637,451	187,124,115
- Impairment losses reversed	-	-	-	-
New financial assets originated or purchased	1,234,402	-	-	1,234,402
Financial assets derecognised (including written-offs)	-	-	-	-
Others	(6,768)	-	(382,168)	(388,936)
<b>As at 31 December 2020</b>	<u>2,714,298</u>	<u>-</u>	<u>185,255,283</u>	<u>187,969,581</u>

For the year ended 31 December 2020, the increase in lifetime ECL is mainly due to the recognition of impairment to a third party with a gross carrying amount HK\$185,637,451 which is disclosed in note 22.

As at 31 December 2019, no impairment provision was made on non-derivative financial investments.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(b) Liquidity risk

The Group is responsible for its own cash management, including short-term placement of cash surpluses. The Group's policy is to regularly monitor its expected liquidity requirements and its compliance with regulatory requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed line of funding from major financial institutions to meet its liquidity requirements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	31 December 2020				
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 5 years HK\$	More than 5 years HK\$
Accounts payable	47,536,885,420	47,536,885,420	47,536,885,420	-	-
Financial liabilities at fair value through profit or loss	44,291,262,172	44,291,262,172	44,291,262,172	-	-
Derivatives	22,894,649,609	64,427,534,299	64,427,534,299	-	-
REPOs	3,674,901,549	3,674,901,549	3,674,901,549	-	-
Lease liabilities	401,557,781	437,385,917	161,645,081	203,828,475	71,912,361
Other creditors and accruals	1,905,781,734	1,905,781,734	1,905,781,734	-	-
Amount due to the ultimate holding company	400,559,524	400,559,524	400,559,524	-	-
Amounts due to fellow subsidiaries	761,143	761,143	761,143	-	-
Bank loans and overdrafts	8,742,701,014	8,787,338,618	8,787,338,618	-	-
Short-term notes issued	7,945,831,984	8,021,357,111	8,021,357,111	-	-
Long-term notes issued	27,078,728,824	27,834,326,113	8,129,913,452	19,704,412,661	-

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (b) Liquidity risk - continued

	31 December 2019				
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 5 years HK\$	More than 5 years HK\$
Accounts payable	19,473,004,208	19,473,004,208	19,473,004,208	-	-
Financial liabilities at fair value through profit or loss	26,704,991,145	26,704,991,145	26,704,991,145	-	-
Derivatives	4,919,278,313	26,794,888,952	24,795,378,490	1,999,510,462	-
REPOs	11,412,188,318	11,412,188,318	11,412,188,318	-	-
Lease liabilities	479,382,767	518,778,271	134,739,279	293,642,228	90,396,764
Other creditors and accruals	1,098,829,714	1,098,829,714	1,098,829,714	-	-
Amount due to the ultimate holding company	8,752,697	8,752,697	8,752,697	-	-
Amounts due to fellow subsidiaries	5,849,111	5,849,111	5,849,111	-	-
Bank loans and overdrafts	8,420,666,157	8,423,400,260	8,423,400,260	-	-
Short-term notes issued	7,347,539,487	7,566,782,773	7,566,782,773	-	-
Long-term notes issued	15,534,476,708	16,980,491,185	549,456,160	16,431,035,025	-
Other non-current liabilities	1,298,306	1,298,306	-	1,298,306	-

## (c) Currency risk

The Group is exposed to currency risk primarily through underwriting, overseas brokerage, placement activities, trading securities and other financial products that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars, Euro and Singapore dollars. As the 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.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(c) Currency risk - continued

(i) Foreign currency profile

At 31 December 2020, the Group had the following material net foreign currency positions included in the consolidated statement of financial position:

	31 December 2020 HK\$	31 December 2019 HK\$
Net assets in Renminbi	56,733,112,836	31,471,800,530
Net liabilities in United States dollars	(47,897,713,913)	(24,393,958,495)
Net assets in Singapore dollars	94,616,422	71,891,581
Net assets in Euro	256,899,901	134,720,392

(ii) Sensitivity analysis

The Group assumes that the change of exchange rate between the Hong Kong dollar and the United States dollar would not have significant impact on the non-derivative financial instruments. As a result, such impact is excluded in the sensitivity analysis presentation.

At 31 December 2020, it is estimated that a general appreciation of 1% in the relevant currencies would increase the Group's profit after tax and retained earnings by approximately HK\$457 million (2019: HK\$169 million). A general depreciation of 1% in the relevant currencies would decrease the Group's profit after tax and retained earnings by approximately HK\$457 million (2019: HK\$166 million).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2019.

(d) Interest rate risk

The Group's interest rate positions arise primarily from holding of interest-bearing bank deposits, reverse repurchase agreements, lease liabilities, repurchase agreements and loans. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets and liabilities.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(d) Interest rate risk - continued

(i) Interest rate profile

The following table indicates the effective interest rates for the relevant periods and the mismatches of the expected interest repricing dates for interest-bearing assets and liabilities at the end of the reporting period.

	31 December 2020		31 December 2019	
	<u>Effective interest rate</u>	<u>Total HK\$</u>	<u>Effective interest rate</u>	<u>Total HK\$</u>
<b>Assets</b>				
Cash and cash equivalents	0.66%	13,797,262,266	0.77%	2,236,964,369
Financial assets measured at fair value through profit or loss and derivatives	2.48%	15,622,328,325	3.18%	15,634,426,886
Financial assets measured at fair value through other comprehensive income	2.52%	4,443,040,985	3.71%	5,309,368,847
Reverse REPOs	0.68%	398,126,359	1.30%	721,485,942
Accounts receivable from margin clients	4.08%	3,112,634,471	6.17%	1,647,131,877
<b>Liabilities</b>				
Bank loans and overdrafts	2.30%	8,742,701,014	3.06%	8,420,666,157
REPOs	2.02%	3,674,901,549	2.94%	11,412,188,318
Financial liabilities measured at fair value through profit or loss and derivatives	4.61%	463,075,782	7.28%	609,321,000
Lease liabilities	3.64%	401,557,781	4.01%	479,382,767
Short-term notes issued	1.42%	7,945,831,984	3.12%	7,347,539,487
Long-term notes issued	1.57%	27,078,728,824	3.14%	15,534,476,708

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase of 100 basis points (2019: 100 basis points) in interest rates, with all other variables held constant, would decrease the Group's profit after tax and retained earnings by approximately HK\$354 million (2019: HK\$442 million) and other components of equity by approximately HK\$115 million (2019: HK\$97 million). A general decrease of 100 basis points, would increase the profit after tax and retained earnings by approximately HK\$404 million (2019: HK\$449 million) and other components of equity by approximately HK\$123 million (2019: HK\$100 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points (2019: 100 basis points) increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.



37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(e) Other price risk

The Group is exposed to price change arising from debt securities, equity securities, investment funds and derivative financial instruments.

*Sensitivity analysis*

At 31 December 2020, it is estimated that a general increase of 1% in the relevant risk variables would decrease the Group's profit after tax and retained earnings by approximately HK\$55 million (2019: HK\$70 million) and decrease other components of equity by approximately HK\$140 million (2019: HK\$101 million). A general decrease of 1% in the relevant risk variables would increase the Group's profit after tax and retained earnings by approximately HK\$60 million (2019: HK\$74 million) and increase other components of equity by approximately HK\$148 million (2019: HK\$104 million).

(f) Fair values

(i) Financial instruments carried at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- 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. If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (f) Fair values - continued

## (i) Financial instruments carried at fair value - continued

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

	31 December 2020			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Assets</b>				
Financial assets at fair value through profit or loss and derivatives				
- Investment in listed fund	2,971,478,716	-	-	2,971,478,716
- Investment in unlisted fund	-	1,235,972,613	1,107,859,026	2,343,831,639
- Debt securities	563,580,246	14,990,606,894	-	15,554,187,140
- Equity investments	86,934,756,842	26,074,194	902,557,678	87,863,388,714
- Equity-linked financial instruments	-	36,737,619	-	36,737,619
- Positive fair value of derivatives	680,463,908	7,372,717,040	-	8,053,180,948
	<u>91,150,279,712</u>	<u>23,662,108,360</u>	<u>2,010,416,704</u>	<u>116,822,804,776</u>
Financial assets at fair value through other comprehensive income				
- Listed debt securities	-	4,443,040,985	-	4,443,040,985
	<u>91,150,279,712</u>	<u>28,105,149,345</u>	<u>2,010,416,704</u>	<u>121,265,845,761</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss and derivatives				
- Short positions in equity investments	3,231,884,630	16,853,088	-	3,248,737,718
- Short positions in debt securities	-	362,461,050	-	362,461,050
- Short positions in structured notes	-	1,171,820,953	-	1,171,820,953
- Short positions in equity-linked financial instruments	-	39,508,242,451	-	39,508,242,451
- Negative fair value of derivatives	1,884,217,631	21,010,431,978	-	22,894,649,609
- Third party interest in consolidated investment funds	-	1,533,466,899	-	1,533,466,899
	<u>5,116,102,261</u>	<u>63,603,276,419</u>	<u>-</u>	<u>68,719,378,680</u>

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
<b>Assets</b>				
Financial assets				
at fair value through				
profit or loss and				
derivatives				
- Investment in listed fund	1,258,725,836	-	-	1,258,725,836
- Investment in unlisted				
fund	-	218,135,957	1,096,397,525	1,314,533,482
- Debt securities	281,112,079	15,176,625,931	155,756,994	15,613,495,004
- Equity investments	56,222,144,471	30,349,031	671,324,646	56,923,818,148
- Equity-linked financial				
instruments	-	33,223,286	-	33,223,286
- Positive fair value of				
derivatives	123,348,715	3,059,671,210	-	3,183,019,925
	<u>57,885,331,101</u>	<u>18,518,005,415</u>	<u>1,923,479,165</u>	<u>78,326,815,681</u>
Financial assets				
at fair value through				
other comprehensive				
income				
- Listed debt securities	-	5,309,368,847	-	5,309,368,847
	<u>57,885,331,101</u>	<u>23,827,374,262</u>	<u>1,923,479,165</u>	<u>83,636,184,528</u>
<b>Liabilities</b>				
Financial liabilities				
at fair value through profit				
or loss and derivatives				
- Short positions in equity				
investments	2,633,767,178	-	-	2,633,767,178
- Short positions in debt				
securities	-	524,205,798	-	524,205,798
- Short positions in				
structured notes	-	468,749,498	-	468,749,498
- Short position in				
equity-linked				
financial instruments	-	23,078,268,671	-	23,078,268,671
- Negative fair value				
of derivatives	279,894,008	4,639,384,305	-	4,919,278,313
- Third party interest in				
consolidated investment				
funds	-	529,732,165	-	529,732,165
	<u>2,913,661,186</u>	<u>29,240,340,437</u>	<u>-</u>	<u>32,154,001,623</u>

There have been no transfer of financial instruments between Level 1 and Level 2 of the fair value hierarchy during the year.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

(A) Movement of financial instruments with significant unobservable inputs

	Financial assets measured at fair value through profit or loss HK\$
At 1 January 2020	1,923,479,165
Payment for purchases	387,869,681
Net unrealised gains or losses recognised in profit or loss	115,780,330
Realised gains or losses recognised in profit or loss	1,381,039
Proceeds from disposal	(13,215,899)
Recognition of a new financial asset after deconsolidation of a subsidiary*	23,257,800
Derecognition due to deconsolidation of a subsidiary*	(207,736,532)
Transfer into Level 1	(8,288,874)
Proceeds from redemption	(212,110,006)
At 31 December 2020	2,010,416,704
At 1 January 2019	1,584,912,269
Payment for purchases	752,942,845
Net unrealised gains or losses recognised in profit or loss	(119,701,164)
Realised gains or losses recognised in profit or loss	135,901,768
Proceeds from redemption	(430,576,553)
At 31 December 2019	1,923,479,165

\* During the year ended 31 December 2020, the Group disposed of 62% interest in a subsidiary and received a proceed of HK\$148,393,546. Included in the above movement of financial instruments with significant unobservable inputs, an unlisted equity investment held by such subsidiary amounting to HK\$207,736,532 is derecognised upon the above disposal. After such disposal, the Group's remaining interest in such entity amounting to HK\$23,537,800 is classified as financial assets at fair value through profit or loss.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES – continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

(A) Movement of financial instruments with significant unobservable inputs - continued

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

<u>Financial assets</u>	<u>Valuation Techniques and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Unlisted funds	Allocated net asset value of underlying fund and underlying equity and debt securities	Net asset value of underlying funds and underlying securities	The higher the allocated net asset value, the higher the fair value
Unlisted equity securities	Recent transaction or market comparable company	Pricing multiples of market comparable companies: - Price to sales multiple (from 9.9 to 15.5) - Total enterprise value to earnings before interest taxes, depreciation and amortisation multiple (from 7.8 to 17.5)	The higher the pricing multiples, the higher the fair value
		Discount for lack of marketability (Note 1)	The higher the discount, the lower the fair value
		Discount for the negative impact of a recent market event (Note 3)	The higher the discount, the lower the fair value
Listed equity securities with restriction	Option pricing models	Historical volatility (Note 2)	The higher the volatility, the lower the fair value

Note 1: Unobservable input is the discount for lack of marketability at 30% (2019: Not applicable).

Note 2: Unobservable input is the historical volatility at 41.29% (2019: 49.76%).

Note 3: Unobservable input is the discount rate for the negative impact on a recent market event at 20% (2019: Not applicable).

(B) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions are insignificant.

The fair value of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments except for certain non-current lease liabilities and notes issued are carried at amounts not materially different from their fair value as at 31 December 2020 and 2019.

## 38. ASSETS PLEDGED AS SECURITY

As at 31 December 2020, the amount of assets pledged in respect of the Group's overdraft facilities, derivative trading and repurchase agreements with certain brokers amounted to HK\$4,523,150,098 (2019: HK\$15,877,505,126). The amount of assets which was secured against the liabilities under repurchase agreements and overdraft facilities is disclosed in notes 20 and 27.

These transactions are conducted under terms that are usual and customary to standard lending activities.

## 39. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include derivatives instruments, repurchase and reverse purchase agreements, and other assets and liabilities that:

- are offset in the consolidated statement of financial position of the Group; and
- are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in the consolidated statement of financial position of the Group.

Description of types of financial assets	At 31 December 2020					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Related financial instruments not set off in the consolidated statement of financial position		
				Cash collateral HK\$	Financial instruments/securities collateral HK\$	Net amount HK\$
Derivatives	8,053,180,948	-	8,053,180,948	(803,244,375)	(5,949,337,585)	1,300,598,988
Reverse repurchase agreements	398,126,359	-	398,126,359	-	(388,925,904)	9,200,455
Accounts receivable	48,451,355,695	(10,997,067,454)	37,454,288,241	-	(7,355,425,666)	30,098,862,575

Description of types of financial liabilities	At 31 December 2020					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Related financial instruments not set off in the consolidated statement of financial position		
				Cash collateral HK\$	Financial instruments/securities collateral HK\$	Net amount HK\$
Derivatives	22,894,649,609	-	22,894,649,609	(2,827,247,591)	(5,949,337,585)	14,118,064,433
Repurchase agreements	3,674,901,549	-	3,674,901,549	-	(3,674,901,549)	-
Accounts payable	58,533,952,874	(10,997,067,454)	47,536,885,420	-	(2,438,588,970)	45,098,296,450

## 39. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES - continued

Description of types of financial assets	At 31 December 2019					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Cash collateral HK\$	Financial instruments/ securities collateral HK\$	Net amount HK\$
Derivatives	3,183,019,925	-	3,183,019,925	(696,052,529)	(1,921,864,759)	565,102,637
Reverse repurchase agreements	721,485,942	-	721,485,942	-	(716,357,995)	5,127,947
Accounts receivable	19,943,095,482	(5,602,626,125)	14,340,469,357	-	(3,262,314,289)	11,078,155,068

Description of types of financial liabilities	At 31 December 2019					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Cash collateral HK\$	Financial instruments/ securities collateral HK\$	Net amount HK\$
Derivatives	4,919,278,313	-	4,919,278,313	(384,389,136)	(1,921,864,759)	2,613,024,418
Repurchase agreements	11,412,188,318	-	11,412,188,318	-	(11,412,188,318)	-
Accounts payable	25,075,630,333	(5,602,626,125)	19,473,004,208	-	(1,926,845,804)	17,546,158,404

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and repurchase/reverse repurchase agreement included in amounts not set off in the consolidated statement of financial position relate to transaction where:

- the counterparty has an offsetting exposure with the Group and a master netting or similar agreement is in place with a right of set off in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- collateral received or pledged in respect of the transactions described above.

## 40. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions with Huijin and Huijin's affiliates

Central Huijin Investment Ltd. ("Central Huijin")

As at 31 December 2020, Huijin owned 40.17% of the equity interest of the immediate holding company (31 December 2019: 44.38%) directly and indirectly.

40. MATERIAL RELATED PARTY TRANSACTIONS - continued

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions.

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accounts receivable from ultimate holding company	-	41,942,278
Accounts receivable from fellow subsidiaries	1,320,461,243	1,326,464,793
Amount payable to ultimate holding company	(676,411,389)	-
Accounts payable to fellow subsidiaries	(7,717,779,631)	(211,980,560)
Derivative liabilities with a fellow subsidiary	(644,811,708)	(1,969,508,106)
Derivative assets with fellow subsidiaries	9,453,654,591	672,648,633
Interest income received from fellow subsidiaries	456,501,891	338,058,661
Advisory fee received from ultimate holding company	115,811,187	153,296,643

**Key management personnel remuneration**

Remuneration for key management personnel is as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Short-term employee benefits	68,305,057	89,225,156
Post-employment benefits	607,259	759,946
	<u>68,912,316</u>	<u>89,985,102</u>

Total remuneration is included in staff costs (note 8(a)).




41. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Non-current assets</b>		
Investments in subsidiaries	5,533,931,234	4,186,337,799
Other non-current assets	200,000	2,150,000
Right-of-use assets	231,944,049	312,562,891
Deferred tax assets	42,274,395	13,188,688
	<u>5,808,349,678</u>	<u>4,514,239,378</u>
<b>Current assets</b>		
Financial assets at fair value through profit or loss	523,601,399	487,090,009
Derivatives	3,112,033	3,297,827
Accounts receivable	123,609,727	76,534,435
Other receivables, deposits and prepayments	852,754,428	1,143,016,103
Loans to subsidiaries	25,362,737,455	17,261,483,863
Amounts due from subsidiaries	2,182,968,097	4,256,414,947
Fixed deposits with original maturity over three months	21,703,193	99,566,295
Cash and cash equivalents	7,364,421,217	642,899,772
	<u>36,434,907,549</u>	<u>23,970,303,251</u>
<b>Current liabilities</b>		
Derivatives	73,789,616	39,479,014
Other creditors and accruals	43,564,270	46,941,098
Amount due to the ultimate holding company	1,663,048	8,669,466
Amounts due to subsidiaries	59,707	950,619,913
Loans from a subsidiary	9,310,417,719	-
Bank loans	7,151,246,614	6,717,628,882
Lease liabilities	121,616,014	109,678,741
	<u>16,702,356,988</u>	<u>7,873,017,114</u>
Net current assets	<u>19,732,550,561</u>	<u>16,097,286,137</u>
Total assets less current liabilities	<u>25,540,900,239</u>	<u>20,611,525,515</u>
<b>Non-current liabilities</b>		
Loans from a subsidiary	19,918,587,227	16,203,369,178
Lease liabilities	109,696,352	198,933,222
	<u>20,028,283,579</u>	<u>16,402,302,400</u>
<b>Net assets</b>	<u><u>5,512,616,660</u></u>	<u><u>4,209,223,115</u></u>

41. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION - continued

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Equity</b>		
Share capital	3,900,000,000	2,300,000,000
Reserves	1,612,616,660	1,909,223,115
	<u>5,512,616,660</u>	<u>4,209,223,115</u>

The statement of financial position was approved and authorised for issue by the Board of Directors on **12 APR 2021** and are signed on its behalf by:



Wong King Fung  
DIRECTOR



Ma Kui  
DIRECTOR

42. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key source of estimated uncertainty and critical judgements in applying the Group's accounting policies which has significant effect on the consolidated financial statements is set out below:

**Income taxes**

As those deferred tax assets on tax losses can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised; management's judgement is required to assess the probability of future taxable profits.

Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. When it is assessed that generation of taxable profits in the foreseeable future is not probable, no further deferred tax assets will be recognised and the recognised deferred tax assets will be reversed when necessary.

**Estimation of fair value of financial instruments**

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market and making assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques commonly used by market practitioners are applied. The inputs are taken from observable markets where possible, but where this is not feasible, unobservable data is used based on the judgement of the directors of the Company. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets classified as Level 3 under fair value hierarchy are set out in Note 37(f).

**Impairment losses of financial assets**

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12m ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, accounts receivable from clients, clearing house, brokers, Reverse REPOs, other receivables, amounts due from ultimate holding company, fellow subsidiaries and joint ventures and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for accounts receivable that result from transactions within the scope of HKFRS 15 are always measured at an amount equal to lifetime ECLs, which are those losses that are expected to occur over the expected life of such accounts receivable.

ECL measurement is an accounting estimate which is subject to management judgement in the selection of methodology and data input and it involves management assessment of events that may indicate significant deterioration of credit risk.

43. SUBSEQUENT EVENTS

On 26 January 2021, CICC Hong Kong Finance 2016 MTN Limited (the "issuer"), a subsidiary of the Company subsequently issued long-term notes of US\$1,000,000,000 and US\$500,000,000. These notes are unsecured, guaranteed by the Company, interest-bearing at 1.625% per annum and 2.0% per annum and repayable on 26 January 2024 and 26 January 2026, respectively.

44. CONTINGENCIES

The Group is exposed to the risk of economic benefit outflows due to litigations, arbitrations or regulatory investigations in the course of operations. The Group, after having assessed in accordance with the Hong Kong Accounting Standard, believes that the probability for the occurrence of such risk is relatively low. The Group had no outstanding contingent matters which had a material impact on its consolidated financial position as at 31 December 2020.

45. COMPARATIVE FIGURES

Certain reclassifications, including the fee and commission income, interest income, investment income and other income and gains/losses, have been made to the consolidated financial statements for the year ended 31 December 2020 to conform to the current year's presentation.

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SOLE MEMBER OF CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司  
(Incorporated in Hong Kong with limited liability)

#### **Opinion**

We have audited the consolidated financial statements of China International Capital Corporation (Hong Kong) Limited (the "Company") and its subsidiaries ("the Group") set out on pages 7 to 90, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other matter**

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 10 April 2019.

#### **Other information**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SOLE MEMBER OF

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED - continued

中國國際金融(香港)有限公司

(Incorporated in Hong Kong with limited liability)

### **Other information - continued**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you 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.

## INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF  
CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED - continued  
中國國際金融(香港)有限公司  
(Incorporated in Hong Kong with limited liability)

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** - continued

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

21 APR 2020

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK\$	2018 HK\$
Revenue	4	2,419,263,928	2,411,359,505
Other income and gains/(losses), net	5	3,450,016,214	1,662,509,018
Staff costs	6(a)	(1,435,945,489)	(1,241,268,689)
Net (recognition)/reversal of impairment loss on accounts receivable	35(a)	(14,422,698)	20,534,425
Net charge of impairment loss on financial assets at fair value through other comprehensive income		(4,428,831)	(2,541,456)
Depreciation		(143,793,218)	(15,899,711)
Other operating expenses	6(b)	(720,832,719)	(717,078,175)
Profit from operations		3,549,857,187	2,117,614,917
Finance costs	6(c)	(1,263,307,308)	(743,239,486)
Share of results of joint ventures		9,189,809	(34,398,471)
Share of results of associates		(841,720)	67,302
Profit before taxation	6	2,294,897,968	1,340,044,262
Income tax expense	7(a)	(357,481,161)	(197,628,316)
Profit for the year		1,937,416,807	1,142,415,946
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(12,453,445)	(11,517,763)
Financial assets at fair value through other comprehensive income: net movement in revaluation reserve	14	140,903,292	(53,718,763)
		128,449,847	(65,236,526)
Total comprehensive income for the year		2,065,866,654	1,077,179,420



## CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2019

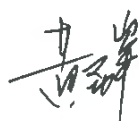
	NOTES	2019 HK\$	2018 HK\$
<b>Non-current asset</b>			
Property, plant and equipment	9	123,360,588	34,658,670
Right-of-use assets	10	448,966,208	-
Financial assets at fair value through profit or loss	17	1,936,549,523	1,491,241,434
Other non-current assets		1,010,420,995	500,589,263
Deferred tax assets	16	23,223,476	36,194,319
Interest in associates	12	904,679	94,518,481
Interest in joint ventures	13	300,363,629	293,082,464
		<u>3,843,789,098</u>	<u>2,450,284,631</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	17	73,207,246,233	35,017,851,505
Financial assets at fair value through other comprehensive income	14	5,309,368,847	4,637,809,010
Financial assets held under resale agreements ("reverse REPOs")	15	721,485,942	1,255,912,387
Derivatives	34	3,183,019,925	3,250,591,032
Accounts receivable	18	14,340,469,357	11,385,954,775
Other receivables, deposits and prepayments	19	2,332,169,464	1,102,751,499
Amount due from the ultimate holding company	20	146,193,000	101,070,465
Amount due from fellow subsidiaries	20	16,059	-
Amount due from joint ventures	20	2,288,515	-
Tax recoverable		3,959,469	4,228,598
Fixed deposits with original maturity over three months	21	99,566,295	21,932,162
Cash and cash equivalents	21	3,561,563,951	4,773,087,822
		<u>102,907,347,057</u>	<u>61,551,189,255</u>

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

	NOTES	2019 HK\$	2018 HK\$
<b>Current liabilities</b>			
Accounts payable	22	19,473,004,208	15,277,823,494
Financial liabilities at fair value through profit or loss	23	26,704,991,145	15,488,539,372
Financial assets sold under repurchase agreements ("REPOs")	24	11,412,188,318	7,849,128,424
Derivatives	34	4,919,278,313	2,742,397,887
Lease liabilities	25	130,136,997	639,577
Other creditors and accruals	26	2,323,681,881	1,757,233,330
Amount due to the ultimate holding company	20	8,752,697	148,162,663
Amounts due to fellow subsidiaries	20	5,849,111	56,714
Bank loans and overdrafts	27	8,420,666,157	33,806,861
Tax payable		436,611,950	102,486,026
Long-term notes issued	28	-	3,912,733,230
Short-term notes issued	28	7,347,539,487	2,219,644,837
		<u>81,182,700,264</u>	<u>49,532,652,415</u>
<b>Net current assets</b>		<u>21,724,646,793</u>	<u>12,018,536,840</u>
<b>Total assets less current liabilities</b>		<u>25,568,435,891</u>	<u>14,468,821,471</u>
<b>Non-current liabilities</b>			
Long-term notes issued	28	15,534,476,708	7,809,171,016
Lease liabilities	25	349,245,770	1,554,050
Other non-current liabilities		1,298,306	1,247,435
Deferred tax liabilities	16	10,989,068	889,585
		<u>15,896,009,852</u>	<u>7,812,862,086</u>
<b>Net assets</b>		<u>9,672,426,039</u>	<u>6,655,959,385</u>
<b>Equity</b>			
Share capital	29(a)	2,300,000,000	1,349,400,000
Reserves	29(d)	7,372,426,039	5,306,559,385
<b>Total equity</b>		<u>9,672,426,039</u>	<u>6,655,959,385</u>

The consolidated financial statements on pages 7 to 90 were approved and authorised for issue by the Board of Directors on **21 APR 2020** and are signed on its behalf by:



Wong King Fung  
DIRECTOR



Ma Kui  
DIRECTOR

## CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital HK\$	Exchange reserve HK\$	Retained profits HK\$	Revaluation reserve (recycling) HK\$	Total HK\$
Balance at 1 January 2018	1,349,400,000	(1,524,766)	4,263,452,089	(32,547,358)	5,578,779,965
Changes in equity for 2018:					
Profit for the year	-	-	1,142,415,946	-	1,142,415,946
Other comprehensive income	-	(11,517,763)	-	(53,718,763)	(65,236,526)
Total comprehensive income	-	(11,517,763)	1,142,415,946	(53,718,763)	1,077,179,420
Balance at 31 December 2018	1,349,400,000	(13,042,529)	5,405,868,035	(86,266,121)	6,655,959,385
Share issued (Note 29(a))	950,600,000	-	-	-	950,600,000
Changes in equity for 2019:					
Profit for the year	-	-	1,937,416,807	-	1,937,416,807
Other comprehensive income	-	(12,453,445)	-	140,903,292	128,449,847
Total comprehensive income	-	(12,453,445)	1,937,416,807	140,903,292	2,065,866,654
Balance at 31 December 2019	2,300,000,000	(25,495,974)	7,343,284,842	54,637,171	9,672,426,039

**CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED**  
**中國國際金融(香港)有限公司**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 HK\$	2018 HK\$
<b>Operating activities</b>		
Profit before taxation	2,294,897,968	1,340,044,262
Adjustments for:		
Depreciation	143,793,218	15,899,711
Net recognition of impairment loss on accounts receivable	14,422,698	(20,534,425)
Net recognition of impairment loss on financial assets at fair value through other comprehensive income	4,428,831	2,541,456
Interest element of leases	16,058,475	44,686
Other interest expenses	969,197,911	567,861,485
Share of results of joint ventures	(9,189,809)	34,398,471
Share of results of associates	841,720	(67,302)
Fair value losses/(gains) on financial assets and liabilities at fair value through profit or loss and derivatives	1,803,587,897	(2,081,342,631)
<b>Operating profit before changes in working capital</b>	<b>5,238,038,909</b>	<b>(141,154,287)</b>
Increase in statutory deposits	(509,831,732)	(124,393,475)
Net change in financial assets and financial liabilities at fair value through profit or loss and derivatives	(26,543,537,965)	(1,648,416,546)
Net change in financial assets at fair value through other comprehensive income	(524,270,973)	(414,106,773)
Net change in reverse REPOs and REPOs	4,097,486,339	5,042,033,255
Increase in accounts receivable	(2,968,937,280)	(4,469,557,528)
Increase in other receivables, deposits and prepayments	(1,229,417,965)	(655,840,564)
Increase in fixed deposits with original maturity over three months	(77,634,133)	(21,932,162)
Decrease in restricted bank deposits	21,824,646	78,175,934
Net change in amount due from/to ultimate holding company	(184,532,501)	103,058,149
Net change in amounts due to fellow subsidiaries	5,776,338	(4,686,606)
Net change in amounts due from an associate	-	24,214
Net change in amounts due from a joint venture	(2,288,515)	5,248,638
Increase in accounts payable	4,195,180,714	3,010,981,638
Net change in other creditors, accruals and other non-current liabilities	568,489,525	262,422,894
<b>Cash (used in)/generated from operations</b>	<b>(17,913,654,593)</b>	<b>1,021,856,781</b>

CHINA INTERNATIONAL CAPITAL CORPORATION (HONG KONG) LIMITED

中國國際金融(香港)有限公司

	NOTES	2019 HK\$	2018 HK\$
<b>Cash (used in)/generated from operations</b>		(17,913,654,593)	1,021,856,781
<b>Tax paid</b>			
Hong Kong Profits Tax refunded		-	3,492,986
Hong Kong Profits Tax paid		(2,665,650)	(110,744,683)
Overseas tax paid		(8,208,825)	(33,478,706)
<b>Net cash (used in)/generated from operating activities</b>		<u>(17,924,529,068)</u>	<u>881,126,378</u>
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(125,851,702)	(13,308,781)
Proceed from disposal of property, plant and equipment		9,990,154	-
Payment for purchase of non-current financial assets at fair value through profit or loss		(752,942,845)	(877,242,593)
Proceed from disposal of non-current financial assets at fair value through profit or loss		316,335,528	-
<b>Net cash used in investing activities</b>		<u>(552,468,865)</u>	<u>(890,551,374)</u>
<b>Financing activities</b>			
Net proceeds from/(repayment of) bank loans	21(b)	8,386,859,296	(5,934,666,060)
Proceeds from issuance of long-term notes	21(b)	7,761,031,348	7,826,753,700
Payment of redemption of long-term notes	21(b)	(3,948,458,886)	-
Proceeds from issuance of short-term notes	21(b)	11,153,987,206	4,827,453,542
Payment of redemption of short-term notes	21(b)	(6,026,092,556)	(4,763,544,246)
Repayments of lease liabilities/obligations under finance lease	21(b)	(100,260,785)	(820,203)
Issuance of shares	29(a)	950,600,000	-
Other interest paid	21(b)	(878,293,662)	(524,090,599)
<b>Net cash generated from financing activities</b>		<u>17,299,371,961</u>	<u>1,431,086,134</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(1,177,625,972)</u>	<u>1,421,661,138</u>
Cash and cash equivalents at 1 January		4,751,263,176	3,348,675,049
Effect of foreign exchange rate changes		(12,073,253)	(19,073,011)
Cash and cash equivalents at 31 December	21	<u>3,561,563,951</u>	<u>4,751,263,176</u>
<b>Net cash used in operating activities including:</b>			
Interest received		879,997,231	586,941,338
Interest paid		<u>(253,098,546)</u>	<u>(163,553,096)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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1. GENERAL

China International Capital Corporation (Hong Kong) Limited (the "Company") is a company incorporated in Hong Kong. Its ultimate holding company is China International Capital Corporation Limited, which is a public limited company incorporated in the People's Republic of China and its H shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs and interpretation that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and interpretation in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.



2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs and interpretation that are mandatorily effective for the current year - continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" - continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

**Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

**As a lessee**

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying *HKAS 37 Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs and interpretation that are mandatorily effective for the current year - continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" - continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

**As a lessee**

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.13% to 4.27%.

	HK\$
Operating lease commitments disclosed as at 31 December 2018	419,878,619
Lease liabilities discounted at relevant incremental borrowing rates	393,324,948
Less: Practical expedient - leases with lease term ending within 12 months from the date of initial application	(7,965,937)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	385,359,011
Add: Obligations under finance leases recognised as of 31 December 2018	2,193,627
Lease liabilities at 1 January 2019	387,552,638
Analysed as	
Current	97,752,523
Non-current	289,800,115
	387,552,638



## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs and interpretation that are mandatorily effective for the current year - continued

## 2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" - continued

## 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 - continued

**As a lessee - continued**

The carrying amount of right-of-use assets relating to operating leases for own use as at 1 January 2019 amounted to HK\$387,348,826.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$	Adjustments HK\$	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$
Non-current assets			
Property and equipment	34,658,670	(1,989,815)	32,668,855
Right-of-use assets	-	387,348,826	387,348,826
Current liabilities			
Lease liabilities	-	97,752,523	97,752,523
Obligations under finance leases	639,577	(639,577)	-
Non-current liabilities			
Lease liabilities	-	289,800,115	289,800,115
Obligations under finance leases	1,554,050	(1,554,050)	-

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK\$1,989,815 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$639,577 and HK\$1,554,050 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs and interpretation that are mandatorily effective for the current year - continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" - continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 - continued

**As a lessee - continued**

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective.

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the impact mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issued but not yet effective - continued

*Amendments to HKAS 1 and HKAS 8 Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

*Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards*

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out as below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates and joint ventures - continued

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service, or a bundle of services, that is distinct or a series of distinct services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation since:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

The Group's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

- (i) Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed;
- (ii) Selling concession and underwriting fee income are recognised at the point when relevant selling concession and underwriting activities are completed;
- (iii) Asset and fund management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur; and
- (iv) Advisory and research fee income is recognised in profit or loss over time using a method that depicts the group's performance, or at a point in time when the service is completed, depending on the nature of the services and the contract terms.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

**Variable consideration**

For contracts that contain variable consideration, the Group estimates the amount of consideration for asset management services to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

**Principal versus agent**

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

**Definition of a lease** (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee** (upon application of HKFRS 16 in accordance with transitions in note 2)

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of office premises and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

**The Group as a lessee** (upon application of HKFRS 16 in accordance with transitions in note 2)  
- continued

*Right-of-use assets* - continued

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

*Leases - continued*

**The Group as a lessee** (upon application of HKFRS 16 in accordance with transitions in note 2)  
- continued

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**The Group as a lessee (prior to 1 January 2019)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold improvements	The shorter of the estimated useful lives or the unexpired terms of the leases
Furniture and fixtures	3 years
Computer equipment	2 to 3 years
Office equipment	3 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve (recycling). Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset and is included in the "other income and gain/(losses), net" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 including reverse REPOs, accounts receivable, other receivables and deposits, cash and cash equivalents, fixed deposits with original maturity over three months, financial assets at fair value through other comprehensive income, amounts due from fellow subsidiaries, amounts due from joint ventures and amount due from ultimate holding company. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with debtors having similar credit ratings.

For all other instruments, the Group recognises 12m ECL for all financial assets at amortised cost unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for accounts receivable arising from dealing in securities where a shorter period of past due is applied), unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets - continued**

*Impairment of financial assets - continued*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for accounts receivable arising from dealing in securities where a shorter past due is applied) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity instruments** - continued

*Financial liabilities* - continued

(i) Financial liabilities at FVTPL - continued

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

(ii) Financial liabilities at amortised cost

Financial liabilities including accounts payable, REPOs, other creditors, amount due to ultimate holding company, amounts due to fellow subsidiaries, long-term and short-term notes issued, and bank loan and overdrafts are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity instruments** - continued

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Repurchase agreements**

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets. Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements". Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

**Reversed repurchase agreements**

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. Financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

**Offsetting a financial asset and a financial liability**

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Related parties

- (a) 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 of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of Group's parent.
- (b) 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 (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

4. REVENUE

The principal activities of the Group are securities broking and dealing, and provision of advisory, underwriting, and asset management services.

The amount of each significant category of revenue is as follows:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Commission and brokerage income	796,537,903	852,573,018
Selling concession income	170,581,612	271,016,570
Advisory and research fee income	538,217,596	534,725,486
Underwriting fee income	904,215,894	747,598,176
Asset management fee	9,710,923	5,446,255
	<u>2,419,263,928</u>	<u>2,411,359,505</u>

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is not significant to the consolidated financial statements.

5. OTHER INCOME AND GAINS/(LOSSES), NET

	<u>2019</u> HK\$	<u>2018</u> HK\$
Exchange loss	(97,844,952)	(39,180,016)
Interest income		
- financial assets at fair value through profit or loss	555,553,361	384,150,711
- financial assets at fair value through other comprehensive income	226,045,208	148,470,823
- margin loan	86,150,632	70,182,718
- other financial assets at amortised cost	187,366,516	127,081,512
Net gain on financial assets and liabilities at fair value through profit or loss and derivatives	2,445,402,674	932,814,822
Net gain/(loss) on disposal of financial assets and liabilities at fair value through other comprehensive income	8,189,523	(2,302,534)
Others	39,153,252	41,290,982
	<u>3,450,016,214</u>	<u>1,662,509,018</u>

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6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019 HK\$	2018 HK\$
(a) Staff costs		
Salaries and allowances	1,415,031,806	1,223,302,633
Contributions to Mandatory Provident Fund	20,913,683	17,966,056
	<u>1,435,945,489</u>	<u>1,241,268,689</u>
(b) Other operating expenses included:		
Brokerage expenses	239,323,640	190,413,021
Rent, rates and management fee	24,648,474	115,509,308
Legal and professional fees	74,448,544	83,692,107
Auditors' remuneration	4,605,773	3,911,702
	<u></u>	<u></u>
(c) Finance costs		
Interest expenses on		
- financial institutions	249,553,200	180,900,416
- short-term notes issued	156,145,464	99,811,156
- long-term notes issued	528,624,589	274,374,452
- repurchase agreements	278,050,922	175,333,315
- lease liabilities/ obligation under finance lease	16,058,475	44,686
- others	34,874,658	12,775,461
	<u>1,263,307,308</u>	<u>743,239,486</u>

7. INCOME TAX EXPENSE

(a) Taxation charged to profit or loss

	2019 HK\$	2018 HK\$
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	333,200,325	191,117,484
Under/(over) provision in respect of prior years	3,199,394	(1,757,772)
	<u>336,399,719</u>	<u>189,359,712</u>
<b>Current tax - Overseas</b>		
Provision for the year	8,817,750	5,930,535
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 16)	12,263,692	2,338,069
	<u>357,481,161</u>	<u>197,628,316</u>

7. INCOME TAX EXPENSE - continued

(a) Taxation charged to profit or loss - continued

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Taxation for overseas operations and subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	2019 HK\$	2018 HK\$
Profit before taxation	2,294,897,968	1,340,044,262
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	357,350,938	182,987,773
Tax effect of non-deductible expenses	2,763,499	764,048
Tax effect of non-taxable revenue	(5,239,045)	(3,311,551)
Tax effect of unused tax loss not recognised	23,778,755	25,556,575
Utilisation of tax loss not previously recognised	(26,901,896)	(11,437,327)
Under/(over) provision in prior years	3,199,394	(1,757,772)
Others	2,529,516	4,826,570
Tax charge for the year	357,481,161	197,628,316

(c) Deferred tax assets

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$1,276,052,250 (2018: HK\$1,309,259,944) due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely subject to the approval from the relevant tax authorities.

8. 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 HK\$	2018 HK\$
Directors' fees	-	-
Salaries, bonuses and other allowances	89,225,156	123,112,006
Post-employment benefits	759,946	863,942
	89,985,102	123,975,948

## 9. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
<b>Cost:</b>					
At 1 January 2018	145,445,723	15,176,085	102,105,283	23,998,455	286,725,546
Additions	3,208,649	-	7,791,061	2,309,071	13,308,781
Disposals	-	(90,653)	-	-	(90,653)
Exchange difference	(1,871,281)	(169,705)	(1,029,916)	(188,040)	(3,258,942)
At 31 December 2018	146,783,091	14,915,727	108,866,428	26,119,486	296,684,732
<b>Accumulated depreciation:</b>					
At 1 January 2018	123,443,663	14,902,374	91,992,393	19,619,646	249,958,076
Charge for the year	7,192,185	122,247	6,509,539	2,075,740	15,899,711
Written back on disposal	-	(90,653)	-	-	(90,653)
Exchange difference	(1,839,161)	(207,804)	(1,488,764)	(205,343)	(3,741,072)
At 31 December 2018	128,796,687	14,726,164	97,013,168	21,490,043	262,026,062
<b>Net book value:</b>					
At 31 December 2018	17,986,404	189,563	11,853,260	4,629,443	34,658,670
	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
<b>Cost:</b>					
At 31 December 2018	146,783,091	14,915,727	108,866,428	26,119,486	296,684,732
Initial adoption of HKFRS16	-	-	-	(2,983,207)	(2,983,207)
At 1 January 2019 (restated)	146,783,091	14,915,727	108,866,428	23,136,279	293,701,525
Additions	76,769,470	7,792,367	30,576,838	10,713,027	125,851,702
Disposals	(40,459,718)	(1,436,043)	(2,831,811)	(2,624,253)	(47,351,825)
Exchange difference	(2,781,981)	(163,670)	(1,041,096)	(475,040)	(4,461,787)
At 31 December 2019	180,310,862	21,108,381	135,570,359	30,750,013	367,739,615
<b>Accumulated depreciation:</b>					
At 31 December 2018	128,796,687	14,726,164	97,013,168	21,490,043	262,026,062
Initial adoption of HKFRS16	-	-	-	(993,392)	(993,392)
At 1 January 2019 (restated)	128,796,687	14,726,164	97,013,168	20,496,651	261,032,670
Charge for the year	11,028,256	507,624	10,999,032	2,475,504	25,010,416
Written back on disposal	(30,469,564)	(1,436,043)	(2,831,811)	(2,624,253)	(37,361,671)
Exchange difference	(2,239,831)	(25,649)	(1,814,232)	(222,676)	(4,302,388)
At 31 December 2019	107,115,548	13,772,096	103,366,157	20,125,226	244,379,027
<b>Net book value:</b>					
At 31 December 2019	73,195,314	7,336,285	32,204,202	10,624,787	123,360,588

10. RIGHT-OF-USE ASSETS

	Leasehold building HK\$	Office equipment HK\$	Total HK\$
<b>At 1 January 2019</b>			
Carrying amount	385,359,011	1,989,815	387,348,826
<b>At 31 December 2019</b>			
Carrying amount	448,966,208	-	448,966,208
<b>For the year ended 31 December 2019</b>			
Depreciation charge	118,782,802	-	118,782,802
Expenses relating to short-term leases and other leases with lease term end within 12 months of the date of initial of HKFRS 16			8,741,119
Total cash outflow for leases			100,260,785
Additions to right-of-use assets from new operating leases (Note)			182,390,000

Note: During the year, the Group entered into new lease agreements for office premises for period from 3 to 10 years. On the lease commencement date, the Group recognised right-of-use assets and lease liabilities. The addition of these assets and liabilities are non-cash in nature and not presented as part of the cash movement in consolidated statement of cash flow.

The Group leases various offices and office equipment for its operations. Lease contracts are entered into for fixed term of 6 months to 10 years, but may have extension options as below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

**Extension options**

The Group has extension options in a number of office leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.



## 10. RIGHT-OF-USE ASSETS - continued

**Extension options - continued**

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain not exercise is summarised below:

	Lease liabilities recognised as at 31 December 2019 HK\$	Potential future lease payments not included in lease liabilities (undiscounted) HK\$
Office leases - Hong Kong	306,200,232	374,339,520
Office leases - Overseas	147,937,988	100,143,787

**Leases committed**

As at 31 December 2019, the Group entered into a new office that is not yet commenced, with non-cancellable period of 2 years with extension options, the total future undiscounted cash flows under which amounted to HK\$20,867,994 over the non-cancellable period.

Details of the lease maturity analysis of lease liabilities are set out in note 25.

## 11. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Registered capital/ Particulars of issued and paid-up capital</u>	<u>Percentage of ordinary shares held</u>	<u>Principal activity</u>
China International Capital Corporation Hong Kong Asset Management Limited	Hong Kong	362,540,000 shares (2018: 245,740,000 shares)	100%	Asset management and advisory
China International Capital Corporation Hong Kong Securities Limited	Hong Kong	115,522,000 shares	100%	Securities broking, underwriting and advisory
China International Capital Corporation (Singapore) Pte. Limited	Singapore	52,000,000 shares	100%	Securities broking, underwriting and advisory
CICC Financial Products Ltd.	British Virgin Islands	1 share	100%*	Securities trading
CICC Investment Group Company Limited	British Virgin Islands	100 shares	100%*	Investment holding



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11. INVESTMENTS IN SUBSIDIARIES - continued

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Registered capital/ Particulars of issued and paid-up capital</u>	<u>Percentage of ordinary shares held</u>	<u>Principal activity</u>
CICC US Securities, Inc.	The United States of America	680 shares (2018: 610 shares)	100%*	Securities broking
CICC Sun Company Limited	British Virgin Islands	100 shares	100%*	Investment holding
Perpetual Treasure Investment Management Ltd.	Cayman Islands	1 share	100%*	Investment holding
Profit Insight Limited	Hong Kong	1 share	100%*	Investment holding
Tianjin Jia Cheng Investment Management Company Limited	People's Republic of China	US\$150,000	100%*	Investment holding
China International Capital Corporation (UK) Limited	The United Kingdom	33,000,000 shares (2018: 21,000,000 shares)	100%	Securities broking and advisory
CICC Alternative Investment Management Ltd.	Cayman Islands	1 share	100%*	Investment holding
China International Capital Corporation Hong Kong Futures Limited	Hong Kong	72,000,000 shares (2018: 36,000,000 shares)	100%	Futures contracts broking
CICC US Securities (Hong Kong) Limited	Hong Kong	15,500,001 shares	100%*	Securities broking
China International Capital Corporation (USA) Holdings Inc.	The United States of America	1,270,000 shares (2018: 1,080,000 Shares)	100%	Investment holding
CICC Hong Kong Finance 2016 MTN Limited	British Virgin Islands	2 shares	100%	Note issuing
CICC Hong Kong Finance (Cayman) Limited	Cayman Islands	1 share	100%	Financing
CICC Investment Management (USA) Inc.	The United States of America	100,000 shares (2018: 70,000 shares)	100%*	Asset management
CICC Investment Management Co. Ltd.	Cayman Islands	1 share	100%*	Investment holding
CICC Growth Capital Fund GP, Ltd.	Cayman Islands	1 share	100%*	Investment holding
CICC Investment Advisory Company Limited	Hong Kong	1 share	100%*	Investment holding
CICC Financial Trading Limited	Hong Kong	1 share	100%*	Securities trading
CICC Commodity Trading Limited	British Virgin Islands	1 share	100%*	Securities trading
CICC PFG Cayman Limited	Cayman Islands	1 share	100%*	Investment holding
CICC Private Investment Holding Co. Limited	Cayman Islands	1 share	100%*	Investment holding

\* Indirectly held

12. INTEREST IN ASSOCIATES

	2019 HK\$	2018 HK\$
Cost of investment in associates	2,085,763	93,939,994
Share of post-acquisition (losses)/profits	(1,276,521)	574,206
Exchange adjustments	95,437	4,281
	<u>904,679</u>	<u>94,518,481</u>

Details of each of Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2019	2018	2019	2018	
CMI Capital Limited (Note)	Hong Kong	Hong Kong	40%	40%	40%	40%	Investment consultation and asset management
FC International	France	France	25%	25%	25%	25%	Asset management

Note: In the prior year, the Group held a 40% interest in CMI Capital Limited ("CMI") and accounted for the investment as an associate. Since 2018, CMI initiated liquidation process. The Group received an advanced cash payment from CMI amounting to HK\$91 million in 2018 and recorded it as other creditors for the year ended 31 December 2018. In 2019, CMI passed the shareholders' resolution to voluntarily dissolve the company and distributed a final dividend of HK\$1 million to the Group and set off the advanced cash payment and the respective share capital and reserve with the shareholders. The Group reduced the cost of investment amounting to HK\$92 million in 2019. The dissolution of CMI has not resulted any gain or loss of the Group for the year ended 31 December 2019. Subsequent to the year end, CMI is dissolved on 18 January 2020.

13. INTEREST IN JOINT VENTURES

	2019 HK\$	2018 HK\$
Cost of investment in joint ventures	314,220,725	316,038,994
Share of post-acquisition losses	(13,857,096)	(22,956,530)
	<u>300,363,629</u>	<u>293,082,464</u>

13. INTEREST IN JOINT VENTURES - continued

Details of each of Group's joint ventures at the end of the reporting period are as follow:

<u>Name of entity</u>	<u>Country of incorporation/ registration</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest held by the Group</u>		<u>Proportion of voting rights held by the Group</u>		<u>Principal activity</u>
			<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
CICC ALPHA Investment Group Limited	Cayman Island	Hong Kong	50%	50%	50%	50%	Investment holding
KCA Capital Partners	Cayman Island	Hong Kong	55%	55%	55%	55%	Asset management
Global Bridge Capital I GP, LLC	Cayman Island	Hong Kong	50%	50%	50%	50%	Asset management
Global Bridge Capital Management LLC	Cayman Island	Hong Kong	50%	50%	50%	50%	Asset management
Krane Funds Advisors, LLC	Delaware, the United States of America	Delaware, the United States of America	50.1%	50.1%	50.1%	50.1%	Asset management

Details of group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Note: CICC ALPHA Investment Group Limited was established by the Company's subsidiary and a real estate investment manager, the other investor to this joint venture. CICC ALPHA Investment Group Limited is mainly engaged in investment activities.

KCA Capital Partners was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. KCA Capital Partners and its subsidiaries act as general partner and investment manager of a private equity fund, KCA Advantage Fund, Limited Partnership.

Global Bridge Capital I GP, LLC was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. Global Bridge Capital I GP, LLC acts as general partner of a private equity fund, Global Bridge Capital USD Fund I, L.P.

Global Bridge Capital Management, LLC was established by the Company's subsidiary and a private equity investment manager, the other investor to this joint venture. Global Bridge Capital Management, LLC acts as investment manager of a private equity fund, Global Bridge Capital USD Fund I, L.P.

Krane Funds Advisors, LLC ("Krane LLC") is the investment manager for Krane Shares ETFs.

13. INTEREST IN JOINT VENTURES - continued

The above joint ventures in which the Group participates, are unlisted corporate entities whose quoted market prices are not available.

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Gross amounts of Krane LLC's		
Current assets	366,854,191	239,898,516
Non-current assets	389,392	2,980,800
Current liabilities	(515,641,308)	(328,926,925)
Net liabilities	(148,397,725)	(86,047,609)
Revenue	137,344,087	109,679,069
Loss for the year	(41,103,383)	(117,787,975)
Reconciled to the Group's interest in Krane LLC		
Gross amounts of Krane LLC's net liabilities	(148,397,725)	(86,047,609)
Group's effective interest	50.1%	50.1%
Group's share of Krane LLC's net liabilities	(74,347,256)	(43,109,852)
Goodwill	299,455,051	294,116,945
Carrying amount in the consolidated financial statements	<u>225,107,795</u>	<u>251,007,093</u>

Aggregate information of joint ventures those are not material:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Carrying amount of immaterial joint ventures in the consolidated financial statements	75,255,834	42,075,371
Amounts of the Group's share of joint ventures:		
Profit for the year	<u>33,774,679</u>	<u>24,575,067</u>
Total comprehensive income	<u>33,774,679</u>	<u>24,575,067</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$	2018 HK\$
Listed debt securities	5,309,368,847	4,637,809,010
	<u>5,309,368,847</u>	<u>4,637,809,010</u>

Reclassification adjustments relating to components of other comprehensive income:

	2019 HK\$	2018 HK\$
Changes in fair value recognised during the year	139,104,287	(53,957,685)
Tax effect	(10,819,349)	-
Reclassification adjustment for amounts transferred to profit or loss:		
- Net gain (loss) on disposal	8,189,523	(2,302,534)
- Impairment allowance	4,428,831	2,541,456
Net movement in the revaluation reserve during the year recognised in other comprehensive income	<u>140,903,292</u>	<u>(53,718,763)</u>

15. FINANCIAL ASSETS HELD UNDER RESALE ARRANGEMENTS ("REVERSE REPO")

Analysed by collateral type:

	2019 HK\$	2018 HK\$
<b>Current</b>		
Debt securities	721,134,729	1,254,239,183
Accrued interest	351,213	1,673,204
Total	<u>721,485,942</u>	<u>1,255,912,387</u>

The Group entered into reverse repurchase agreements of HK\$721,485,942 as at 31 December 2019 (2018: HK\$1,255,912,387). As at 31 December 2019, debt securities of HK\$716,357,995 (2018: HK\$1,270,905,535) were collateralised against the amounts receivable under these reverse repurchase agreements.

Interest incurred on reverse repurchase agreements has been reported as interest income. The agreements can be terminated by the Group or the counterparties on demand.

## 16. DEFERRED TAX ASSETS / (LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$	2018 HK\$
Deferred tax assets	23,223,476	36,194,319
Deferred tax liabilities	(10,989,068)	(889,585)
	<u>12,234,408</u>	<u>35,304,734</u>

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 loss HK\$	Impairment/ provisions HK\$	Difference between depreciation allowances and related depreciation HK\$	Fair value changes of financial instruments at FVTPL HK\$	Fair value changes of financial instruments at FVTOCI HK\$	Others HK\$	Total HK\$
<b>Deferred tax arising from:</b>							
At 1 January 2018	26,168,470	6,605,436	4,783,004	-	-	49,546	37,606,456
Charged to profit or loss (note 7(a))	(531,435)	1,753,510	(959,759)	(2,600,385)	-	-	(2,338,069)
Exchange difference	-	(73,480)	-	112,106	-	(2,279)	36,347
At 31 December 2018	<u>25,637,035</u>	<u>8,285,466</u>	<u>3,823,245</u>	<u>(2,488,279)</u>	<u>-</u>	<u>47,267</u>	<u>35,304,734</u>
At 1 January 2019	25,637,035	8,285,466	3,823,245	(2,488,279)	-	47,267	35,304,734
Charged to profit or loss (note 7(a))	(12,477,015)	(415,918)	(1,605,928)	634,740	1,642,852	(42,423)	(12,263,692)
Charged to other comprehensive income	-	-	-	-	(10,819,349)	-	(10,819,349)
Exchange difference	-	(23,409)	-	48,301	(15,705)	3,528	12,715
At 31 December 2019	<u>13,160,020</u>	<u>7,846,139</u>	<u>2,217,317</u>	<u>(1,805,238)</u>	<u>(9,192,202)</u>	<u>8,372</u>	<u>12,234,408</u>

Deferred tax assets are recognised for tax losses and deductible temporary difference from deferred compensation and impairment carried forward to the extent that realisation of the deferred tax benefit through future profits is probable. Based on the recent business plan, management considered that the respective group companies would be able to generate taxable profits to utilise the deferred tax assets in the foreseeable future.

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$	2018 HK\$
<b>Financial assets at fair value through profit or loss</b>		
Debt securities, at fair value		
- Listed	15,369,625,386	5,027,071,760
- Unlisted	243,869,618	3,236,527,782
	<u>15,613,495,004</u>	<u>8,263,599,542</u>
Equity securities, at fair value		
- Listed in Hong Kong	8,331,121,418	2,956,670,958
- Listed outside Hong Kong	47,921,372,085	18,275,814,953
- Unlisted	704,547,931	562,453,271
	<u>56,957,041,434</u>	<u>21,794,939,182</u>
Funds, at fair value		
- Listed	1,258,725,836	4,500,355,751
- Unlisted	1,314,533,482	1,950,198,464
	<u>2,573,259,318</u>	<u>6,450,554,215</u>
	<u>75,143,795,756</u>	<u>36,509,092,939</u>

Included in above balances is an amount of HK\$1,936,549,523 (2018: HK\$1,491,241,434) which is expected to be recovered in more than one year.

As at 31 December 2019, securities of HK\$2,655,486,576 (2018: HK\$4,046,276,234) held by the Group were pledged in respect of the Group's overdraft facilities with brokers.

18. ACCOUNTS RECEIVABLE

	2019 HK\$	2018 HK\$
Accounts receivable		
- Margin client	1,647,131,877	1,139,671,135
- Cash client	2,295,287,169	1,536,889,288
- Clearing houses	376,645,481	525,440,179
- Brokers	9,171,512,946	7,808,053,288
- Fee receivables	531,918,438	368,908,072
- Others	347,370,209	22,116,632
Less: Impairment allowances for credit losses	(29,396,763)	(15,123,819)
	<u>14,340,469,357</u>	<u>11,385,954,775</u>



18. ACCOUNTS RECEIVABLE - continued

Accounts receivable are expected to be recovered on demand or within one year.

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and that of accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

Normal settlement terms of accounts receivable from advisory, asset and fund management are determined in accordance with the contract terms, usually within one year after the services provided.

Included in accounts receivable from brokers in the above is cash collateral of HK\$6,485,215,826 (2018: HK\$5,570,753,429) held with brokers which had been pledged to the brokers as collateral for the Group's derivative instruments and securities borrowing transaction. Collateral paid under stock borrowing agreements is repayable upon expiry of relevant stock borrowing agreements and the relevant stocks borrowed are returned to the lender.

Margin loans due from margin clients of HK\$1,647,131,877 (2018: HK\$1,139,671,135) are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 December 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$5,137,237,222 (2018: HK\$5,283,956,722).

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2019</u> HK\$	<u>2018</u> HK\$
Rental deposits	37,587,756	34,511,660
Other receivables and prepayments	2,294,581,708	1,068,239,839
	<u>2,332,169,464</u>	<u>1,102,751,499</u>

Included in other receivables balance of HK\$335 million (2018: HK\$392 million) is an unsecured loan to a joint venture which is carried at 2% plus London Inter-bank Offered Rate per annum, is unsecured and repayable on demand.

Included in other receivables balance of HK\$745 million (2018: HK\$122 million) are loans to third party customers of which HK\$712 million (2018: HK\$119 million) are secured by equity and debt securities. The loans carried fixed interest rates ranging from 6% to 8% (2018: 3% to 9%) per annum and with remaining maturity within 1 year (2018: within 1 year).



19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued

Included in other receivables balance of HK\$1,083 million (2018: HK\$300 million) are unsecured loans to fellow subsidiaries which carried fixed interest rates ranging from 2% to 4% (2018: 2% to 5%) per annum and with remaining maturity within 1 year (2018: within 1 year).

All of the other receivables and deposits are expected to be recovered within one year.

20. AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY/JOINT VENTURES

Amounts due from/to the ultimate holding company/joint ventures are unsecured, interest-free and repayable on demand.

21. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019 HK\$	2018 HK\$
General accounts:		
- deposits with banks	366,459,327	1,786,012,742
- cash at banks and on hand	3,294,789,100	3,009,012,657
Impairment allowance	(118,181)	(5,415)
Fixed deposits with original maturity over three months (Note)	(99,566,295)	(21,932,162)
Cash and cash equivalents in the consolidated statement of financial position	3,561,563,951	4,773,087,822
Less: Restricted bank deposits (Note)	-	(21,824,646)
Cash and cash equivalents in the consolidated cash flow statement	3,561,563,951	4,751,263,176

Note: Included in fixed deposits with original maturity over three months, HK\$21,805,979 (2018: Nil) represented restricted bank deposits. Restricted bank deposits include risk reserve deposits held for asset management business.

The Group maintains segregated client accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage and asset management activities. As at 31 December 2019, segregated client accounts not dealt with in these consolidated financial statements amounted to HK\$5,902,919,780 (2018: HK\$6,980,785,013).

## 21. CASH AND CASH EQUIVALENTS - continued

## (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 consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities HK\$	Bank loans HK\$	Short-term notes issued HK\$	Long-term notes issued HK\$	Obligations under finance leases HK\$	Interest payable included in other creditors and accruals HK\$	Total HK\$
As at 1 January 2018	-	5,968,472,921	2,155,735,541	3,895,150,546	2,969,144	54,004,720	12,076,332,872
Net repayment of bank loans	-	(5,934,666,060)	-	-	-	-	(5,934,666,060)
Proceeds from issuance of long-term notes	-	-	-	7,826,753,700	-	-	7,826,753,700
Payment of redemption of long-term notes	-	-	-	-	-	-	-
Proceeds from issuance of short-term notes	-	-	4,827,453,542	-	-	-	4,827,453,542
Payment of redemption of short-term notes	-	-	(4,763,544,246)	-	-	-	(4,763,544,246)
Interest element of finance lease paid	-	-	-	-	(44,686)	-	(44,686)
Capital element of finance lease paid	-	-	-	-	(775,517)	-	(775,517)
Interest paid	-	-	-	-	-	(524,090,599)	(524,090,599)
Total changes from financing cash flows	-	(5,934,666,060)	63,909,296	7,826,753,700	(820,203)	(524,090,599)	1,431,086,134
Other change	-	-	-	-	-	567,861,485	567,861,485
Interest accrued	-	-	-	-	-	567,861,485	567,861,485
Interest element of finance lease	-	-	-	-	44,686	-	44,686
Total other change	-	-	-	-	44,686	567,861,485	567,906,171
At 31 December 2018	-	33,806,861	2,219,644,837	11,721,904,246	2,193,627	97,775,606	14,075,325,177
At 31 December 2018	-	33,806,861	2,219,644,837	11,721,904,246	2,193,627	97,775,606	14,075,325,177
Initial adoption of HKFRS 16	387,348,826	-	-	-	(2,193,627)	-	385,155,199
At 1 January 2019 (restated)	387,348,826	33,806,861	2,219,644,837	11,721,904,246	-	97,775,606	14,460,480,376
Net proceeds from bank loans	-	8,386,859,296	-	-	-	-	8,386,859,296
Proceeds from issuance of long-term notes	-	-	-	7,761,031,348	-	-	7,761,031,348
Payment of redemption of long-term notes	-	-	-	(3,948,458,886)	-	-	(3,948,458,886)
Proceeds from issuance of short-term notes	-	-	11,153,987,206	-	-	-	11,153,987,206
Payment of redemption of short-term notes	-	-	(6,026,092,556)	-	-	-	(6,026,092,556)
Payment of lease liabilities	(100,260,785)	-	-	-	-	-	(100,260,785)
Interest paid	-	-	-	-	-	(878,293,662)	(878,293,662)
Total changes from financing cash flows	(100,260,785)	8,386,859,296	5,127,894,650	3,812,572,462	-	(878,293,662)	16,348,771,961
Other change	-	-	-	-	-	969,197,911	969,197,911
Addition of lease liabilities	176,236,251	-	-	-	-	969,197,911	176,236,251
Interest accrued	-	-	-	-	-	969,197,911	969,197,911
Interest element of lease liabilities	16,058,475	-	-	-	-	-	16,058,475
Total other change	192,294,726	-	-	-	-	969,197,911	1,161,492,637
At 31 December 2019	479,382,767	8,420,666,157	7,347,539,487	15,534,476,708	-	188,679,855	31,970,744,974

22. ACCOUNTS PAYABLE

The following is an analysis of accounts payable at the end of the reporting period:

	2019 HK\$	2018 HK\$
Accounts payable		
- Cash clients	2,420,759,884	1,527,073,051
- Margin client	108,337,466	31,902,515
- Clearing houses	267,580,594	149,293,106
- Brokers	3,559,308,127	4,584,280,546
Margin deposits received in relation to derivative trading	12,770,864,457	8,708,828,907
Fee payable	164,424,665	157,779,536
Others	181,729,015	118,665,833
	<u>19,473,004,208</u>	<u>15,277,823,494</u>

All accounts payable and margin deposits received are under normal course of business. The amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$	2018 HK\$
Short positions in equity securities, at fair value		
- Listed in Hong Kong	2,312,126,371	3,235,743,015
- Listed outside Hong Kong	321,640,807	559,031,168
- Unlisted	23,078,268,671	10,012,884,319
Short positions in debt securities, at fair value		
- Listed	524,205,798	952,993,215
Short positions in structured notes, at fair value		
- Unlisted	468,749,498	727,887,655
	<u>26,704,991,145</u>	<u>15,488,539,372</u>

Included in financial liabilities at fair value through profit or loss are financial liabilities designated at FVTPL which are the short position of equity investments amounting to HK\$23,078 million (2018: HK\$10,013 million) held and structured notes amounting to HK\$468 million (2018: HK\$728 million) issued by the Group. The risk of economic exposure of these financial products is primarily hedged by certain financial instruments held by the Group classified as financial assets at FVTPL. The Group managed relevant assets and liabilities on a pair basis and such relevant liabilities are valued with direct reference to its hedging assets. The remaining balances represent financial liabilities held for trading at the end of the reporting period.

24. FINANCIAL ASSETS HELD UNDER REPURCHASE ARRANGEMENTS ("REPO")

Analysed by collateral type:

	2019 HK\$	2018 HK\$
Equity securities	7,938,497,501	3,544,860,972
Debt securities	3,434,499,121	4,290,028,131
Accrued interest	39,191,696	14,239,321
Total	<u>11,412,188,318</u>	<u>7,849,128,424</u>

The Group entered into repurchase agreements of HK\$11,412,188,318 as at 31 December 2019 (2018: HK\$7,849,128,424). As at 31 December 2019, securities of HK\$13,222,018,550 (2018: HK\$8,716,720,276) were secured against the liability under these repurchase agreements. Interest incurred on repurchase agreements has been reported as interest expenses. The agreements can be terminated by the Group or the counterparties on demand.

25. LEASE LIABILITIES

	31.12.2019 HK\$
<b>Lease liabilities payable:</b>	
Within one year	130,136,997
Within a period of more than one year but not more than two years	129,830,773
Within a period of more than two year but not more than five years	137,536,642
Within a period of more than five years	81,878,355
	<u>479,382,767</u>
Less: Current lease liabilities payable	(130,136,997)
Non-current lease liabilities payable	<u>349,245,770</u>

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK\$
As at 31 December 2019	
United States Dollar	146,070,151
Great British Pound	13,947,741
Euro	6,309,913
Singapore Dollar	4,411,924

26. OTHER CREDITORS AND ACCRUALS

The following is an analysis of other creditors and accruals at the end of the reporting period:

	2019 HK\$	2018 HK\$
Accrued expenses	1,224,852,167	1,065,840,678
Third party interest in consolidated investment funds (Note)	529,732,165	16,509,705
Interest payable	188,679,855	97,775,606
Others	380,417,694	577,107,341
	<u>2,323,681,881</u>	<u>1,757,233,330</u>

Note: Amount represents payables to the investors of consolidated structured entities which is measured at fair value through profit or loss. For each reporting period, the consolidation scope of structured entities varies due to the addition and liquidation of the consolidated structured entities, and changes in the interests therein. As at 31 December 2019, the total assets of the consolidated investment funds are HK\$1,635 million (2018: HK\$737 million). The Group did not provide financial supports to the consolidated investment funds.

27. BANK LOANS AND OVERDRAFTS

At 31 December 2019, the bank loans and overdrafts were as follows:

	2019 HK\$	2018 HK\$
Bank loans		
- unsecured	8,236,469,144	33,806,861
- secured	184,197,013	-
	<u>8,420,666,157</u>	<u>33,806,861</u>

The carrying amounts of the bank borrowings approximate to their fair value. The bank loans bear interests from 1.9% to 4.67% per annum and are repayable within one year.

28. NOTES ISSUED

	2019 HK\$	2018 HK\$
Long-term notes issued		
- Current	-	3,912,733,230
- Non-current	15,534,476,708	7,809,171,016
	<u>15,534,476,708</u>	<u>11,721,904,246</u>
Short-term notes issued	<u>7,347,539,487</u>	<u>2,219,644,837</u>

28. NOTES ISSUED - continued

On 18 May 2016, CICC Hong Kong Finance 2016 MTN Limited (the "issuer"), a subsidiary of the Company issued long-term notes of US\$500,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 2.75% per annum and repayable on 18 May 2019. The notes are carried at amortised cost. This note was fully redeemed during the year.

On 25 April 2018, the issuer issued long-term notes of US\$600,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-months LIBOR plus 1.2% per annum and repayable on 25 April 2021.

On 11 September 2018, the issuer issued long-term notes of US\$400,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-months LIBOR plus 1.2% per annum and repayable on 11 September 2021.

On 3 May 2019, the issuer issued long-term notes of US\$300,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3.375% per annum and repayable on 3 May 2022.

On 3 May 2019, the issuer issued long-term notes of US\$700,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-months LIBOR plus 1.175% per annum and repayable on 3 May 2022.

As at 31 December 2019, fair value of the long-term notes issued is amounted to HK\$15,654,060,734 (2018: HK\$11,731,603,322).

The following features are embedded in the notes issued by the issuer:

- The notes can be redeemed by the issuer at any time prior to the maturity date if the Company is obliged to pay additional taxation amounts as a result of any change in, or amendment to, the laws or regulations;
- The noteholders can demand the issuer to early redeem the notes if there is change of control event under the following circumstances:
  - (i) Central Huijin Investment Ltd. directly or indirectly ceases to be the largest shareholder of the ultimate holding company;
  - (ii) the ultimate holding company ceases to directly or indirectly hold or own 100 per cent of the issued share capital of the Company; or
  - (iii) the Company ceases to directly or indirectly hold or own 100 per cent of the issued share capital of the issuer.

As at 31 December 2019, CICC Financial Products Ltd., a subsidiary of the Company issued short-term notes totalling HK\$7,207,358,192 (2018: HK\$2,180,481,692) bearing nominal interest ranging from 1.23% to 3.80% per annum (2018: 2.26% to 4.85% per annum), repayable within one year.

As at 31 December 2019, CICC Financial Trading Limited, a subsidiary of the Company issued short-term notes totalling HK\$140,181,295 (2018: HK\$39,163,145) bearing nominal interest at 2.55% to 2.70% per annum (2018: 2.25% per annum), repayable within one year.



29. SHARE CAPITAL AND RESERVES

(a) Share capital

	2019		2018	
	No. of ordinary shares	Amount HK\$	No. of ordinary shares	Amount HK\$
<b>Issued and fully paid:</b>				
At 1 January	132,600,000	1,349,400,000	132,600,000	1,349,400,000
Shares issued	95,060,000	950,600,000	-	-
At 31 December	227,660,000	2,300,000,000	132,600,000	1,349,400,000

On 8 August 2019, the Company has issued 95,060,000 ordinary shares of HK\$10 to its holding company.

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.

(b) Movements in components of equity

The Company

	Share capital HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2018	1,349,400,000	1,861,538,598	3,210,938,598
Profit for the year	-	13,691,978	13,691,978
Balance at 31 December 2018 and 1 January 2019	1,349,400,000	1,875,230,576	3,224,630,576
Shares issued	950,600,000	-	950,600,000
Profit for the year	-	33,992,539	33,992,539
Balance at 31 December 2019	2,300,000,000	1,909,223,115	4,209,223,115

The movement in the Group's components of equity has been disclosed in the consolidated statement of changes in equity.

29. SHARE CAPITAL AND RESERVES - continued

(c) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Group's capital management objectives.

The Company defines "capital" as including all components of equity.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group or the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance. The Company was not subject to externally imposed capital requirements in 2019 and 2018. Certain subsidiaries of the Company are subject to regulatory imposed capital requirements and these subsidiaries have complied with these requirements at all time during both the current and prior financial years.

(d) Nature and purpose of reserves

*Exchange reserve*

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.

*Revaluation reserve (recycling)*

The investment revaluation reserve comprises the cumulative net changes in fair values of financial assets at fair value through other comprehensive income under HKFRS 9 held at the end of year.



30. 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:

<u>Type of unconsolidated structured entities</u>	<u>Nature and purpose</u>	<u>Asset management/ investment advisory fees earned in 2019</u> HK\$	<u>Carrying amounts of interests held by the Group at 31 December 2019</u> HK\$
Investment funds - the Group acts as the investment manager or investment advisor	To manage assets on behalf of third party investors and generate fees for the investment manager/investment advisor	86,475,576	483,774,217
Investment funds - third parties act as the investment managers or investment advisors	To hold an interest in the mutual funds sponsored by other institutions	-	2,028,733,677

<u>Type of unconsolidated structured entities</u>	<u>Nature and purpose</u>	<u>Asset management/ investment advisory fees earned in 2018</u> HK\$	<u>Carrying amounts of interests held by the Group at 31 December 2018</u> HK\$
Investment funds - the Group acts as the investment manager or investment advisor	To manage assets on behalf of third party investors and generate fees for the investment manager/investment advisor	583,514	15,245,201
Investment funds - third parties act as the investment managers or investment advisors	To hold an interest in the mutual funds sponsored by other institutions	-	4,916,993,271

These unconsolidated structured entities are mainly financed through the issue of units to investors. The maximum exposure to loss is limited to the carrying amount of the interest held by the Group presented above. The exposure to the variable returns in these structured entities is not significant, thus the Group did not consolidate these structured entities.

During the year, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

31. OPERATING LEASES

At 31 December 2018, the total future minimum lease payments under non-cancellable operating lease on property are payable as follows:

The Group as lessee

	<u>2018</u> HK\$
Within one year	107,235,334
After one year but within five years	312,643,285
After five years	-
	<u>419,878,619</u>

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated.

32. FINANCIAL GUARANTEES

At 31 December 2019, the Company had bank guarantees of HK\$2,377,000,000 (2018: HK\$1,947,000,000) for banking facilities granted to wholly-owned subsidiaries at no consideration. Other than the above bank guarantees, the Group has not entered into other bank guarantees during both the current and prior financial years.

33. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and the ultimate holding company at 31 December 2019 to be China International Capital Corporation Limited which is established in the People's Republic of China. The ultimate controlling party produces consolidated financial statements for public use.

## 34. DERIVATIVES

The use of derivatives for proprietary trading and their sale to customers as risk management products are an integral part of the Group's business activities. The principal derivative financial instruments used by the Group are foreign exchange rate, interest, commodity, credit and equity related contracts, which are primarily over-the-counter derivatives. For accounting purposes, derivatives are classified as financial assets or liabilities at FVTPL.

## (a) Fair value of derivatives

	31 December 2019		31 December 2018	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Currency derivatives				
- Forwards	234,301,633	392,108,886	113,694,720	121,004,278
Credit derivatives				
- Credit default swaps	956,535	14,512,820	6,420,572	11,285,845
Interest rate derivatives				
- Swaps	17,863,456	84,693,430	19,779,048	104,418,379
- Futures	3,068,426	421,772	301,690	19,579,499
Equity derivatives				
- Total return swaps	2,020,710,580	3,278,046,302	2,864,048,059	2,260,907,244
- Options purchased	378,259,770	-	18,690,798	-
- Options written	-	612,213,176	-	17,082,345
- Futures	10,680,337	157,641,351	42,546,172	20,999,268
Commodity derivatives				
- Forwards	405,992,696	257,809,691	154,806,580	147,798,699
- Options purchased	1,586,540	-	18,553,449	-
- Options written	-	-	-	24,881,646
- Futures	109,599,952	121,830,885	11,749,944	14,440,684
	3,183,019,925	4,919,278,313	3,250,591,032	2,742,397,887

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34. DERIVATIVES - continued

(b) Remaining life of derivatives

The following table provides an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping based on the remaining periods to settlement at the end of the reporting period.

		31 December 2019					
	Total	Notional amounts with remaining life of 1 year or less		Notional amounts with remaining life of 1 to 5 years		Notional amounts with remaining life over 5 years	
		Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Currency derivatives							
- Forwards	42,845,883,929	16,050,994,977	26,794,888,952	-	-	-	-
Credit derivatives							
- Credit default swaps	694,570,095	-	-	116,817,745	577,752,350	-	-
Interest rate derivatives							
- Swaps	8,600,280,798	2,907,905,060	3,949,775,966	334,569,040	1,408,030,732	-	-
- Futures	1,890,270,536	1,187,660,154	702,610,382	-	-	-	-
Equity derivatives							
- Total return swap	58,685,305,642	25,643,437,178	33,041,868,464	-	-	-	-
- Options purchased	1,002,032,722	863,000,135	-	139,032,587	-	-	-
- Options written	2,017,994,325	608,092,250	1,409,902,075	-	-	-	-
- Futures	7,227,425,814	337,311,436	6,890,114,378	-	-	-	-
Commodity derivatives							
- Forwards	13,660,714,050	7,168,320,895	6,492,393,155	-	-	-	-
- Options purchased	9,392,147	9,392,147	-	-	-	-	-
- Futures	5,432,623,769	2,793,835,751	2,638,788,018	-	-	-	-

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34. DERIVATIVES - continued

(b) Remaining life of derivatives - continued

31 December 2018							
	Total	Notional amounts with remaining life of 1 year or less		Notional amounts with remaining life of 1 to 5 years		Notional amounts with remaining life over 5 years	
		Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Currency derivatives							
- Forwards	19,144,426,316	8,897,844,804	10,246,581,512	-	-	-	-
Credit derivatives							
- Credit default swaps	1,217,017,364	22,775,067	-	524,325,725	669,916,572	-	-
Interest rate derivatives							
- Swaps	7,229,574,067	2,449,794,189	1,774,275,521	881,713,937	2,123,790,420	-	-
- Futures	2,536,136,759	109,594,106	1,907,090,274	-	519,452,379	-	-
Equity derivatives							
- Total return swap	48,047,368,351	16,812,948,952	31,234,419,399	-	-	-	-
- Options purchased	622,841,733	450,114,275	-	172,727,458	-	-	-
- Options written	247,878,924	-	247,878,924	-	-	-	-
- Futures	1,145,852,903	573,804,394	572,048,509	-	-	-	-
Commodity derivatives							
- Forwards	5,796,883,502	2,936,064,915	2,860,818,587	-	-	-	-
- Options purchased	1,755,046,585	1,755,046,585	-	-	-	-	-
- Options written	1,755,046,585	-	1,755,046,585	-	-	-	-
- Futures	365,085,339	172,311,986	192,773,353	-	-	-	-

### 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Major risk factors of financial instruments, traded by the Group, include both market (e.g. liquidity, currency and interest rate) and credit risks. There is a well-established risk management framework that covers essential functions including risk identification, measurement, monitoring and reporting. There are defined policies, standards, structures, methods and procedures, which form a comprehensive risk management system. All stakeholders, including designated risk managers, play roles in various areas such as credit risk management and market risk management.

Risk limit management is an integral part of the risk management system, and it covers limit setting, approval, monitoring, reporting and review. Risk exposures are calculated, monitored against approved limits, and reported on a daily basis.

#### (a) Credit risk

Credit risk is the risk that financial loss arises from the failure of a client or counterparty to meet its obligations under a transaction.

In the course of its broking, dealing and investment banking activities, the Group is exposed to credit risk exposure. The credit risks consist of:

- (i) Default risk of issuer to repay principal and interest of debt securities held by the Group and the default risk of banks, brokers and clearing houses with which the Group has deposited cash or securities;
- (ii) Default risk from the counterparties of the over-the-counter derivative transactions;
- (iii) Default risk from customers where fees receivable are not settled;
- (iv) Settlement risk arising where cash payments or delivery of securities are made against expected receipt of counterparty or client payment on the same date and the receipt of the counterparty or client payment is uncertain; and
- (v) Default risk from margin clients with inadequate securities collateral and margin deposits under unfavourable market conditions.

The Group has concentration of credit risk towards its accounts receivable, other receivables, amount due from the ultimate holding company, debt securities, derivative financial instruments, and cash and cash equivalents. The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset and the notional amount of credit default swap entered by the Group as disclosed in note 34. The Group has a well-established credit risk management process which is governed by the Group's credit policies and procedures approved by senior management. These processes involve the delegation of credit approval authorities, reviewing and establishing limits for each type of credit exposure on different products for each client and counterparty, monitoring of risks and reporting procedures.

Transactions involving derivative financial instruments are with counterparties of defined credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations. In addition, for counterparties with low credit standing, the Group requires them to post collateral to cover any potential risks. Settlement with clients and counterparties is usually conducted on delivery versus payment basis.



## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (a) Credit risk - continued

In respect of accounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry. In respect of investments of the Group and clients' securities kept by and receivables from banks, brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with banks, brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry. Management monitors the credit rating and financial position of the banks, brokers and clearing houses on an ongoing basis. As at 31 December 2019 and 2018, accounts receivables from brokers, clearing houses are classified at stage 1 and the directors of the Company considers that there is no significant increase in credit risk and the expected credit losses are insignificant.

The Group considers that the credit risk of amount due from the ultimate holding company, fellow subsidiaries and joint ventures is insignificant, all balances are classified as stage 1 and the expected credit losses are insignificant.

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities borrowing and lending, reverse REPOs transactions, other lending and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

As at 31 December 2019 and 2018, reverse REPOs are classified as stage 1 and the directors of the Company considers that there is no significant increase in credit risk and expected credit losses are insignificant.

Cash held by the Group and clients' money are deposited with various banks which are considered reputable with high credit standing. The Group monitors the credit rating and financial position of the banks on an ongoing basis, thus the credit risk is considered as limited and the expected credit loss is insignificant.

**Accounts receivable from clients and fee receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all clients. Margin clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its margin clients. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by the management on a real time basis. Margin calls and forced liquidation are made where necessary.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Accounts receivable from clients and fee receivables - continued**

Impairment losses in respect of accounts receivable from clients and fee receivables are recorded using an allowance account unless the Group assessed that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

The movements in the allowance for expected credit losses during the year are as follows:

	31 December 2019 HK\$	31 December 2018 HK\$
At 1 January	15,123,819	34,812,360
Initial impact of HKFRS 9	-	879,439
Charge for the year	14,422,698	2,556,328
Reversal for the year	-	(23,090,753)
Exchange adjustments	(149,754)	(33,555)
At 31 December	<u>29,396,763</u>	<u>15,123,819</u>

As at 31 December 2019, except for accounts receivable from margin clients amounting to HK\$13,806,347 (2018: Nil) which are credit-impaired with a full provision of expected credit losses made, the remaining receivables from margin client are not credit-impaired and relate to a wide range of customers for whom there was no recent history of default or with sufficient collaterals. The remaining accounts receivable from clients are classified as stage 1 as there is no significant increase in credit risk. An impairment of HK\$1,624,594 (2018: HK\$3,435,617) was recognised for stage 1 accounts receivable from margin clients as at 31 December 2019.

The Group's accounts receivables from a margin client of HK\$23,090,753, which had been determined as impaired in 2017, were recovered in 2018.

As at 31 December 2019, an impairment of HK\$13,965,822 (2018: HK\$11,688,202) has been fully provided for fee receivables which are considered as credit-impaired. The directors of the Company consider the remaining fee receivables as fully recoverable.

Management of the Group considers expected credit losses of the remaining accounts receivable from clients is insignificant for the years ended 31 December 2019 and 2018.



35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**

The Group focuses on decentralising investments for the credit-type fixed income securities investment which are mainly high-credit rating products. The Group pre-controls the exposure of the credit risk by setting investment position limit, classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer's business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc. At the same time, the Group is highly prudent in the investment of the asset-based securities products and strictly evaluates the quality of the underlying asset pool and the effectiveness of the credit enhancement.

In accordance with HKFRS 9, the Group started to recognise provision for losses in respect of debt investments not measured at fair value through profit or loss based on expected credit loss since 2018. The Group classifies each financial instrument into different risk stages based on whether the credit risk of the relevant financial instrument has increased significantly since its initial recognition. A financial instrument is included in stage 1 if it has low credit risk at the reporting date or its credit risk has not increased significantly since its initial recognition; a financial instrument is included in stage 2 if its credit risk has increased significantly since its initial recognition; a financial instrument is migrated to stage 3 if it has objective evidence of credit-impairment. Accordingly, the Group measures loss allowance based on either a 12-month or the lifetime base for those investments in different risk stages. The Group measures the expected credit loss based on parameters such as Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**  
- continued

The following table presents an analysis of the credit quality of debt investments at FVTOCI and FVTPL by carrying amount. It indicates whether assets measured at FVTOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired. At 31 December 2019, none of debt investments at FVTOCI are classified as stage 2 or stage 3 (2018: None).

*The Group*

Credit rating	As at 31 December			
	2019		2018	
	FVTPL HK\$	FVTOCI (subject to 12-month ECL) HK\$	FVTPL HK\$	FVTOCI (subject to 12-month ECL) HK\$
Bloomberg comprehensive rating				
- AAA	15,223	-	42,174,243	-
- From AA- to AA+	-	-	113,204,550	-
- From A- to A+	1,470,955,392	1,906,239,793	3,243,160,755	2,116,026,752
- Below A-	3,687,508,103	3,106,186,069	4,027,051,551	2,222,408,252
Sub-total	5,158,478,718	5,012,425,862	7,425,591,099	4,338,435,004
Other comprehensive rating				
- AAA	54,392,830	-	26,359,734	-
- From AA- to AA+	147,059,176	-	10,841,304	-
Sub-total	201,452,006	-	37,201,038	-
Non-rated (Note)	10,253,564,280	296,942,985	800,807,405	299,374,006
Carrying amount before impairment	15,613,495,004	5,309,368,847	8,263,599,542	4,637,809,010
Loss allowance	-	(9,506,293)	-	(5,135,549)
Total	15,613,495,004	5,299,862,554	8,263,599,542	4,632,673,461

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(a) Credit risk - continued

**Debt investments (including debt securities measured at FVTPL and FVTOCI)**  
- continued

*The Group - continued*

Note: Non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies. The Group monitors the credit rating of the issuer of non-rated debt securities and assesses the credit risk of the relevant debt securities.

**Derivatives**

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns corresponding credit ratings accordingly. On the basis of credit ratings, the Group sets credit risk exposure limits for counterparties, and manage counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

(b) Liquidity risk

The Group is responsible for its own cash management, including short-term placement of cash surpluses. The Group's policy is to regularly monitor its expected liquidity requirements and its compliance with regulatory requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed line of funding from major financial institutions to meet its liquidity requirements.

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (b) Liquidity risk - continued

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	31 December 2019				
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 5 years HK\$	More than 5 years HK\$
Accounts payable	19,473,004,208	19,473,004,208	19,473,004,208	-	-
Financial liabilities at fair value through profit or loss	26,704,991,145	26,704,991,145	26,704,991,145	-	-
Derivatives	4,919,278,313	26,794,888,952	24,795,378,490	1,999,510,462	-
REPOs	11,412,188,318	11,412,188,318	11,412,188,318	-	-
Lease liabilities	479,382,767	518,778,271	134,739,279	293,642,228	90,396,764
Other creditors and accruals	1,098,829,714	1,098,829,714	1,098,829,714	-	-
Amount due to the ultimate holding company	8,752,697	8,752,697	8,752,697	-	-
Amounts due to fellow subsidiaries	5,849,111	5,849,111	5,849,111	-	-
Bank loans and overdrafts	8,420,666,157	8,423,400,260	8,423,400,260	-	-
Short-term notes issued	7,347,539,487	7,566,782,773	7,566,782,773	-	-
Long-term notes issued	15,534,476,708	16,980,491,185	549,456,160	16,431,035,025	-
Other non-current liabilities	1,298,306	1,298,306	-	1,298,306	-

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (b) Liquidity risk - continued

	31 December 2018			
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 5 years HK\$
Accounts payable	15,277,823,494	15,277,823,494	15,277,823,494	-
Financial liabilities at fair value through profit or loss	15,488,539,372	15,488,539,372	15,488,539,372	-
Derivatives	2,742,397,887	2,742,397,887	2,742,397,887	-
REPOs	7,849,128,424	7,849,128,424	7,849,128,424	-
Obligation under finance lease	2,193,627	2,253,007	669,634	1,583,373
Other creditors and accruals	691,392,652	691,392,652	691,392,652	-
Amount due to the ultimate holding company	148,162,663	148,162,663	148,162,663	-
Amounts due to fellow subsidiaries	56,714	56,714	56,714	-
Bank loans and overdrafts	33,806,861	33,806,861	33,806,861	-
Short-term notes issued	2,219,644,837	2,249,334,284	2,249,334,284	-
Long-term notes issued	11,721,904,246	12,568,293,513	4,271,652,439	8,296,641,074
Other non-current liabilities	1,247,435	1,247,435	-	1,247,435

## (c) Currency risk

The Group is exposed to currency risk primarily through underwriting, overseas brokerage, placement activities, trading securities and other financial products that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars, Euro and Singapore dollars. As the Hong Kong dollar is pegged to the United States dollar, the Company considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant.

## (i) Foreign currency profile

At 31 December 2019, the Group had the following material net foreign currency positions included in the statement of financial position:

	31 December 2019 HK\$	31 December 2018 HK\$
Net assets in Renminbi	31,471,800,530	3,138,145,756
Net liabilities in United States dollars	(24,393,958,495)	(13,000,909,066)
Net assets in Singapore dollars	71,891,581	216,214,018
Net assets in Euro	134,720,392	240,792,049

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(c) Currency risk - continued

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general appreciation of 1% in the relevant currencies would increase the Group's profit after tax and retained earnings by approximately HK\$169,175,567 (2018: HK\$211,956,206). A general depreciation of 1% in the relevant currencies would decrease the Group's profit after tax and retained earnings by approximately HK\$166,472,080 (2018: HK\$ 211,165,455).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2018.

(d) Interest rate risk

The Group's interest rate positions arise primarily from holding of interest-bearing bank deposits, reverse repurchase agreements, lease liabilities, repurchase agreements and loans. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets and liabilities.

(i) Interest rate profile

The following table indicates the effective interest rates for the relevant periods and the mismatches of the expected interest repricing dates for interest-bearing assets and liabilities at the end of the reporting period.

## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (d) Interest rate risk - continued

## (i) Interest rate profile - continued

	31 December 2019		31 December 2018	
	Effective interest rate	Total HK\$	Effective interest rate	Total HK\$
<b>Assets</b>				
Cash and cash equivalents	0.77%	2,236,964,369	0.56%	4,148,071,393
Financial assets measured at fair value through profit or loss and derivatives	3.18%	15,634,426,886	4.41%	8,864,252,214
Financial assets measured at fair value through other comprehensive income	3.71%	5,309,368,847	4.28%	4,637,809,010
Reverse REPOs	1.30%	721,485,942	1.14%	1,254,239,183
Trade receivables from margin clients	6.17%	1,647,131,877	5.74%	1,139,671,135
<b>Liabilities</b>				
Bank loans and overdrafts	3.06%	8,420,666,157	4.00%	33,806,861
Repos	2.94%	11,412,188,318	3.51%	7,834,889,104
Financial liabilities measured at fair value through profit or loss and derivatives	7.28%	609,321,000	6.51%	1,804,878,748
Lease liabilities	4.01%	479,382,767	-	-
Short-term notes issued	3.12%	7,347,539,487	3.01%	2,219,644,837
Long-term notes issued	3.14%	15,534,476,708	3.45%	11,721,904,246

## (ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase of 100 basis points (2018: 100 basis points) in interest rates, with all other variables held constant, would decrease the Group's profit after tax and retained earnings by approximately HK\$442,327,582 (2018: HK\$158,730,027) and other components of equity by approximately HK\$97,266,958 (2018: HK\$100,407,516). A general decrease of 100 basis points, would increase the profit after tax and retained earnings by HK\$449,388,860 (2018: HK\$118,515,016) and other components of equity by approximately HK\$100,433,289 (2018: 103,665,848).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points (2018: 100 basis points) increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.



## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (e) Other price risk

The Group is exposed to price change arising from debt securities, equity securities, investment funds and derivative financial instruments.

*Sensitivity analysis*

At 31 December 2019, it is estimated that a general increase of 1% in the relevant risk variables would decrease the Group's profit after tax and retained earnings by HK\$70,396,449 (2018: HK\$209,967,292) and decrease other components of equity by HK\$101,272,182 (2018: HK\$87,142,439). A general decrease of 1% in the relevant risk variables would increase the Group's profit after tax and retained earnings by HK\$73,801,709 (2018: increase by HK\$221,231,600) and increase other components of equity by HK\$104,478,512 (2018: HK\$89,863,147).

## (f) Fair values

## (i) Financial instruments carried at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs, i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs. If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.



## 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

## (f) Fair values - continued

## (i) Financial instruments carried at fair value - continued

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
<b>Assets</b>				
Financial assets				
at fair value through profit or loss and derivatives				
- Investment in listed fund	1,258,725,836	-	-	1,258,725,836
- Investment in unlisted fund	-	218,135,957	1,096,397,525	1,314,533,482
- Debt securities	281,112,079	15,176,625,931	155,756,994	15,613,495,004
- Equity investments	56,222,144,471	63,572,317	671,324,646	56,957,041,434
- Positive fair value of derivatives	123,348,715	3,059,671,210	-	3,183,019,925
	<u>57,885,331,101</u>	<u>18,518,005,415</u>	<u>1,923,479,165</u>	<u>78,326,815,681</u>
Financial assets at fair value through other comprehensive income				
- Listed debt securities	-	5,309,368,847	-	5,309,368,847
	<u>57,885,331,101</u>	<u>23,827,374,262</u>	<u>1,923,479,165</u>	<u>83,636,184,528</u>
<b>Liabilities</b>				
Financial liabilities				
at fair value through profit or loss and derivatives				
- Short positions in equity investments	2,633,767,178	23,078,268,671	-	25,712,035,849
- Short positions in debt securities	-	524,205,798	-	524,205,798
- Short positions in structured notes	-	468,749,498	-	468,749,498
- Negative fair value of derivatives	279,894,008	4,639,384,305	-	4,919,278,313
- Third party interest in consolidated investment funds	-	529,732,165	-	529,732,165
	<u>2,913,661,186</u>	<u>29,240,340,437</u>	<u>-</u>	<u>32,154,001,623</u>

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
<b>Assets</b>				
Financial assets measured at fair value through profit or loss and derivatives				
- Investment in listed fund	4,500,355,751	-	-	4,500,355,751
- Investment in unlisted fund	-	926,992,901	1,023,205,563	1,950,198,464
- Debt securities	84,742,659	8,178,856,883	-	8,263,599,542
- Equity investments	21,229,286,361	3,946,115	561,706,706	21,794,939,182
- Positive fair value of derivatives	54,597,806	3,195,993,226	-	3,250,591,032
	25,868,982,577	12,305,789,125	1,584,912,269	39,759,683,971
Financial assets measured at fair value through other comprehensive income				
- Listed debt securities	4,637,809,010	-	-	4,637,809,010
	30,506,791,587	12,305,789,125	1,584,912,269	44,397,492,981
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss and derivatives				
- Short positions in equity investments	3,418,793,922	10,388,864,580	-	13,807,658,502
- Short positions in debt securities	7,060,363	945,932,852	-	952,993,215
- Short positions in structured notes	-	727,887,655	-	727,887,655
- Negative fair value of derivatives	55,019,451	2,687,378,436	-	2,742,397,887
- Third party interest in consolidated investment funds	-	16,509,705	-	16,509,705
	3,480,873,736	14,766,573,228	-	18,247,446,964

There have been no transfer of financial instruments between Level 1 and Level 2 of the fair value hierarchy during the year.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

(a) Movement of financial instruments with significant unobservable inputs

	Financial assets measured at fair value through profit or loss HK\$	Total HK\$
At 1 January 2019	1,584,912,269	1,584,912,269
Payment for purchases	752,942,845	752,942,845
Net unrealised gains or losses recognised in profit or loss	(119,701,164)	(119,701,164)
Realised gains or losses recognised in profit or loss	135,901,768	135,901,768
Proceeds from redemption	(430,576,553)	(430,576,553)
At 31 December 2019	1,923,479,165	1,923,479,165
At 1 January 2018	1,882,881,264	1,882,881,264
Payment for purchases	791,230,419	791,230,419
Net unrealised gains or losses recognised in profit or loss	89,594,032	89,594,032
Proceeds from redemption	(1,178,793,446)	(1,178,793,446)
At 31 December 2018	1,584,912,269	1,584,912,269

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

	Valuation Techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets			
Unlisted fund	Allocated net asset value of underlying fund and underlying equity and debt securities	Net asset value of underlying funds and underlying securities	The higher the allocated net asset value, the higher the fair value
Unlisted equity securities	Recent transaction or market comparable company	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted debt securities	Discounted cash flow models	Discount rate	The higher the discount, the lower the fair value

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES - continued

(f) Fair values - continued

(i) Financial instruments carried at fair value - continued

- (b) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions are insignificant.

The fair value of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments except for certain non-current lease liabilities and notes issued are carried at amounts not materially different from their fair value as at 31 December 2019 and 2018.

36. ASSETS PLEDGED AS SECURITY

As at 31 December 2019, the amount of assets pledged in respect of the Group's overdraft facilities, derivative trading and repurchase agreements with certain brokers amounted to HK\$15,877,505,126 (2018: HK\$12,912,261,343). The amount of assets which was secured against the liabilities under repurchase agreements and overdraft facilities is disclosed in notes 17 and 24.

These transactions are conducted under terms that are usual and customary to standard lending activities.

### 37. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include derivatives instruments, repurchase and reverse purchase agreements, and other assets and liabilities that:

- are offset in the consolidated statement of financial position of the Group; and
- are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in the consolidated statement of financial position of the Group.

Description of types of financial assets	At 31 December 2019					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Related financial instruments not set off in the consolidated statement of financial position		Net amount HK\$
				Cash collateral HK\$	Financial instruments/securities collateral HK\$	
Derivatives	3,183,019,925	-	3,183,019,925	(696,052,529)	(1,921,864,759)	565,102,637
Reverse repurchase agreements	721,485,942	-	721,485,942	-	(716,357,995)	5,127,947
Accounts receivable	19,943,095,482	(5,602,626,125)	14,340,469,357	-	(3,262,314,289)	11,078,155,068

Description of types of financial liabilities	At 31 December 2019					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Related financial instruments not set off in the consolidated statement of financial position		Net amount HK\$
				Cash collateral HK\$	Financial instruments/securities collateral HK\$	
Derivatives	4,919,278,313	-	4,919,278,313	(384,389,136)	(1,921,864,759)	2,613,024,418
Repurchase agreements	11,412,188,318	-	11,412,188,318	-	(11,412,188,318)	-
Accounts payable	25,075,630,333	(5,602,626,125)	19,473,004,208	-	(1,926,845,804)	17,546,158,404

Description of types of financial assets	At 31 December 2018					
	Gross amount of financial instruments in the consolidated statement of financial position HK\$	Gross amount of financial instruments offset in the consolidated statement of financial position HK\$	Net amount of financial instruments presented in the consolidated statement of financial position HK\$	Related financial instruments not set off in the consolidated statement of financial position		Net amount HK\$
				Cash collateral HK\$	Financial instruments/securities collateral HK\$	
Derivatives	3,250,591,032	-	3,250,591,032	(351,495,571)	(2,024,948,346)	874,147,115
Reverse repurchase agreements	1,255,912,387	-	1,255,912,387	-	(1,255,912,387)	-
Accounts receivable	13,949,301,538	(2,563,346,763)	11,385,954,775	-	(2,058,249,160)	9,327,705,615

37. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES - continued

Description of types of financial liabilities	At 31 December 2018					
	Gross amount of financial instruments in the consolidated statement of financial position	Gross amount of financial instruments offset in the consolidated statement of financial position	Net amount of financial instruments presented in the consolidated statement of financial position	Related financial instruments not set off in the consolidated statement of financial position		
				Cash collateral	Financial instruments/securities collateral	Net amount
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Derivatives	2,742,397,887	-	2,742,397,887	(229,733,295)	(2,024,948,346)	487,716,246
Repurchase agreements	7,849,128,424	-	7,849,128,424	-	(7,849,128,424)	-
Accounts payable	17,841,170,257	(2,563,346,763)	15,277,823,494	-	(1,040,340,301)	14,237,483,193

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and repurchase/reverse repurchase agreement included in amounts not set off in the consolidated statement of financial position relate to transaction where:

- the counterparty has an offsetting exposure with the Group and a master netting or similar agreement is in place with a right of set off in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- collateral received or pledged in respect of the transactions described above.

38. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions with Huijin and Huijin's affiliates

Central Huijin Investment Ltd. ("Central Huijin")

As at 31 December 2019, Huijin owned 44.38% of the equity interest of the immediate holding company (31 December 2018: 55.75%) directly and indirectly.

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms.

## 38. MATERIAL RELATED PARTY TRANSACTIONS - continued

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	<u>2019</u> HK\$	<u>2018</u> HK\$
Accounts receivable from fellow subsidiaries	<u>1,368,407,071</u>	<u>555,669,968</u>
Accounts payable to fellow subsidiaries	<u>211,980,560</u>	<u>85,504,791</u>
Derivative liabilities with a fellow subsidiary	<u>1,969,508,106</u>	<u>1,196,666,191</u>
Derivative assets with fellow subsidiaries	<u>672,648,633</u>	<u>1,484,154,711</u>
Interest income received from fellow subsidiaries	<u>338,058,661</u>	<u>286,603,946</u>
Advisory fee received from ultimate holding company	<u>153,296,643</u>	<u>100,484,224</u>

**Key management personnel remuneration**

Remuneration for key management personnel is as follows:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Short-term employee benefits	89,225,156	123,112,006
Post-employment benefits	759,946	863,942
	<u>89,985,102</u>	<u>123,975,948</u>

Total remuneration is included in staff costs (note 6(a)).

39. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019 HK\$	2018 HK\$
<b>Non-current assets</b>		
Investments in subsidiaries	4,186,337,799	2,488,767,375
Other non-current assets	2,150,000	2,150,000
Right-of-use assets	312,562,891	-
Deferred tax assets	13,188,688	25,649,045
	<u>4,514,239,378</u>	<u>2,516,566,420</u>
<b>Current assets</b>		
Financial assets at fair value through profit or loss	487,090,009	428,481,658
Derivatives	3,297,827	103,407
Accounts receivable	76,534,435	40,684,010
Other receivables, deposits and prepayments	1,143,016,103	324,497,956
Loans to subsidiaries	17,261,483,863	7,101,175,154
Subordinated loan to a subsidiary	-	500,516,594
Amounts due from subsidiaries	4,256,414,947	4,184,830,241
Fixed deposits with original maturity over three months	99,566,295	-
Cash and cash equivalents	642,899,772	496,620,733
	<u>23,970,303,251</u>	<u>13,076,909,753</u>
<b>Current liabilities</b>		
Derivatives	39,479,014	7,333,694
Other creditors and accruals	46,941,098	1,376,858
Amount due to the ultimate holding company	8,669,466	8,146,390
Amounts due to subsidiaries	950,619,913	12,351,988,655
Bank loans	6,717,628,882	-
Lease liabilities	109,678,741	-
	<u>7,873,017,114</u>	<u>12,368,845,597</u>
Net current assets	<u>16,097,286,137</u>	<u>708,064,156</u>
Total assets less current liabilities	<u>20,611,525,515</u>	<u>3,224,630,576</u>
<b>Non-current liabilities</b>		
Loans from a subsidiary	16,203,369,178	-
Lease liabilities	198,933,222	-
	<u>16,402,302,400</u>	<u>-</u>
<b>Net assets</b>	<u>4,209,223,115</u>	<u>3,224,630,576</u>



39. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION - continued

	2019 HK\$	2018 HK\$
<b>Equity</b>		
Share capital	2,300,000,000	1,349,400,000
Reserves	1,909,223,115	1,875,230,576
	<u>4,209,223,115</u>	<u>3,224,630,576</u>

The statement of financial position was approved and authorised for issue by the Board of Directors on **21 APR 2020** and are signed on its behalf by:



Wong King Fung  
DIRECTOR



Ma Kui  
DIRECTOR

#### 40. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key source of estimated uncertainty and critical judgements in applying the Group's accounting policies which has significant effect on the consolidated financial statements is set out below:

##### **Income taxes**

As those deferred tax assets on tax losses can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised; management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. When it is assessed that generation of taxable profits in the foreseeable future is not probable, no further deferred tax assets will be recognised and the recognised deferred tax assets will be reversed when necessary.

##### **Estimation of fair value of financial instruments**

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market and making assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques commonly used by market practitioners are applied. The inputs are taken from observable markets where possible, but where this is not feasible, unobservable data is used based on the judgement of the directors of the Company. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets classified as level 3 under fair value hierarchy are set out in Note 35(f).

##### **Impairment losses of financial assets**

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, accounts receivable from clients, clearing house, brokers, Reverse REPOs, other receivables, amounts due from ultimate holding company, fellow subsidiaries and joint ventures and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for accounts receivable that result from transactions within the scope of HKFRS 15 are always measured at an amount equal to lifetime ECLs, which are those losses that are expected to occur over the expected life of the accounts receivable.

ECL measurement is an accounting estimate which is subject to management judgement in the selection of methodology and data input and it involves management assessment of events that may indicate significant deterioration of credit risk.

41. SUBSEQUENT EVENTS

- (i) On 18 February 2020, CICC Hong Kong Finance 2016 MTN Limited (the "issuer"), a subsidiary of the Company subsequently issued long-term notes of US\$1,000,000,000. The notes are unsecured, guaranteed by the Company, interest-bearing at 3-month LIBOR plus 0.9% per annum and repayable on 18 February 2023.
- (ii) COVID-19 will affect the global economic outlook and enterprise operation. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. The Group's operating results and financial position may be affected in the short term. The Group will pay constant and close attention to the development of the situation, evaluate and actively respond to its potential impact on the Group.
- (iii) A subsidiary of the Group participated as a member of the underwriting syndicate in the listing of Luckin Coffee Inc. ("Luckin Coffee") on the NASDAQ Stock Exchange in May 2019 and acted as one of the joint book-running managers for the offering of American depositary shares and convertible notes of Luckin Coffee in January 2020. In addition, another subsidiary of the Group participated in providing a syndicated loan to one of the shareholders of Luckin Coffee, Haode Investment Inc. On 2 April 2020, Luckin Coffee announced that its chief operating officer and several employees reporting to him had engaged in certain misconduct, including fabricating certain transactions since the second quarter of 2019, based on the results from its internal investigation overseen by a special committee.

After the announcement, the share price of Luckin Coffee dropped significantly. The Group will continue to pay close attention to the progress of the incident, assess and actively respond to any potential impact of the incident on the Group.

42. COMPARATIVE FIGURES

Certain reclassifications have been made to the consolidated financial statements for the year ended 31 December 2018 to conform to the current year's presentation.

ISSUER	GUARANTOR	COMPANY	
<b>CICC Hong Kong Finance 2016 MTN Limited</b> Kingston Chambers, PO Box 173 Road Town Tortola, British Virgin Islands	<b>China International Capital Corporation (Hong Kong) Limited</b> 中國國際金融(香港)有限公司 29th Floor One International Finance Centre 1 Harbour View Street, Central Hong Kong	<b>China International Capital Corporation Limited</b> 中國國際金融股份有限公司 27th and 28th Floor China World Office 2 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC	
<b>ISSUING AND PAYING AGENT AND TRANSFER AGENT (IN RELATION TO NOTES NOT CLEARED THROUGH THE CMU)</b>		<b>TRUSTEE</b>	
<b>Citibank, N.A. London Branch</b> c/o Citibank, N.A. Dublin Branch 1 North Wall Quay Dublin 1 Ireland	<b>Citicorp International Limited</b> 20/F, Citi Tower One Bay East, 83 Hoi Bun Road Kwun Tong Hong Kong		
<b>REGISTRAR</b>	<b>CMU LODGING AND PAYING AGENT AND TRANSFER AGENT (IN RELATION TO NOTES CLEARED THROUGH THE CMU)</b>		
<b>Citibank, N.A. London Branch</b> c/o Citibank, N.A. Dublin Branch 1 North Wall Quay Dublin 1 Ireland	<b>Citicorp International Limited</b> 20/F, Citi Tower One Bay East, 83 Hoi Bun Road Kwun Tong Hong Kong		
<b>JOINT ARRANGERS</b>			
<b>China International Capital Corporation Hong Kong Securities Limited</b> 29th Floor One International Finance Centre 1 Harbour View Street, Central Hong Kong	<b>Citigroup Global Markets Limited</b> Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	<b>Standard Chartered Bank</b> One Basinghall Avenue London EC2V 5DD United Kingdom	
<b>DEALERS</b>			
<b>China International Capital Corporation Hong Kong Securities Limited</b> 29th Floor One International Finance Centre 1 Harbour View Street, Central Hong Kong	<b>Citigroup Global Markets Limited</b> Canada Square Canary Wharf London E14 5LB United Kingdom	<b>Standard Chartered Bank</b> One Basinghall Avenue London EC2V 5DD United Kingdom	<b>Bank of Communications Co., Ltd. Hong Kong Branch</b> 20 Pedder Street Central Hong Kong
<b>China Construction Bank (Asia) Corporation Limited</b> 28/F CCB Tower 3 Connaught Road Central Hong Kong	<b>Industrial Bank Co., Ltd Hong Kong Branch</b> 39/F, KBC Tower 3 Garden Road Central Hong Kong	<b>Industrial and Commercial Bank of China (Asia) Limited</b> 28/F ICBC Tower 3 Garden Road Central, Hong Kong	<b>Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch</b> 24/F., Bank of America Tower 12 Harcourt Road Central, Hong Kong

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**INDEPENDENT AUDITOR OF THE COMPANY AND THE GUARANTOR**

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Hong Kong

日期為二零二二年三月十四日的定價補充文件

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## PRICING SUPPLEMENT

14 March 2022

**CICC Hong Kong Finance 2016 MTN Limited**  
(incorporated in the British Virgin Islands with limited liability)

**Issue of U.S.\$600,000,000 2.875 per cent. Notes due 2025**

**Guaranteed by China International Capital Corporation (Hong Kong) Limited**

**under its U.S.\$10,000,000,000**

**Guaranteed Medium Term Note Programme**

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated 17 September 2021 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor, the Company and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.

**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that:

- (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and
- (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

***Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA")*** – The Notes as described in the Pricing Supplement shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

- |    |       |  |  |
|----|-------|--|--|
| 1. | (i)   | Issuer:  | CICC Hong Kong Finance 2016 MTN Limited (LEI of the Issuer is 52900N4NO8N9ILCZC31) |
|    | (ii)  | Guarantor:   | China International Capital Corporation (Hong Kong) Limited                        |
|    | (iii) | Company/Keepwell Provider:   | China International Capital Corporation Limited                                    |
| 2. | (i)   | Series Number:   | 13   |
|    | (ii)  | Tranche Number:  | 01   |
|    | (iii) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable   |
| 3. |       | Specified Currency or Currencies:                                      | United States Dollars (U.S.\$)   |
| 4. |       | Aggregate Nominal Amount:  |  |
|    | (i)   | Series:  | U.S.\$600,000,000  |
|    | (ii)  | Tranche:   | U.S.\$600,000,000  |
| 5. |       | Issue Price:   | 99.476 per cent. of the Aggregate Nominal Amount                                   |
| 6. | (i)   | Specified Denominations:   | U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof              |
|    | (ii)  | Calculation Amount:  | U.S.\$1,000  |
| 7. | (i)   | Issue Date:  | 21 March 2022  |
|    | (ii)  | Interest Commencement Date:  | Issue Date   |
| 8. |       | Maturity Date:   | 21 March 2025  |

9.	Interest Basis:	2.875 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	Date of Board approval for issuance of Notes and Guarantee obtained:	Board of directors of the Issuer: 21 October 2020; and Board of directors of the Guarantor: 21 October 2020
14.	NDRC Registration:	8 March 2022
15.	Listing:	The Stock Exchange of Hong Kong Limited
16.	Method of distribution:	Syndicated

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

17.	Fixed Rate Note Provisions:	Applicable
	(i) Rate of Interest:	2.875 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	21 March and 21 September in each year
	(iii) Fixed Coupon Amount(s): <i>(Applicable to Notes in definitive form)</i>	U.S.\$14.375 per Calculation Amount
	(iv) Broken Amount: <i>(Applicable to Notes in definitive form)</i>	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:	None
18.	Floating Rate Note Provisions:	Not Applicable
19.	Zero Coupon Note Provisions:	Not Applicable
20.	Index Linked Interest Note Provisions:	Not Applicable
21.	Dual Currency Interest Note Provisions:	Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

22.	Issuer Call:	Not Applicable
23.	Investor Put:	Not Applicable
24.	Change of Control Put:	Applicable
25.	Final Redemption Amount:	U.S.\$1,000 per Calculation Amount
26.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	U.S.\$1,000 per Calculation Amount

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

27.	Form of Notes:	<b>Registered Notes</b>  Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global 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 Bearer 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 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:	
	(i) Instalment Amount(s):	Not Applicable
	(ii) Instalment Date(s):	Not Applicable
32.	Redenomination applicable:	Redenomination not applicable
33.	Consolidation provisions:	The provisions in Condition 15 apply.
34.	Other terms or special conditions:	Not Applicable

## DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and commitments:

**Lead Managers:**

CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED

CITIGROUP GLOBAL MARKETS LIMITED

STANDARD CHARTERED BANK

BANK OF COMMUNICATIONS CO., LTD. HONG KONG  
BRANCH

CMB INTERNATIONAL CAPITAL LIMITED

CMB WING LUNG BANK LIMITED

ICBC INTERNATIONAL SECURITIES LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF CHINA  
(ASIA) LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF CHINA  
LIMITED, SINGAPORE BRANCH

SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.,  
HONG KONG BRANCH

**Managers:**

CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED

CITIGROUP GLOBAL MARKETS LIMITED

STANDARD CHARTERED BANK

BANK OF COMMUNICATIONS CO., LTD. HONG KONG  
BRANCH

CMB INTERNATIONAL CAPITAL LIMITED

CMB WING LUNG BANK LIMITED

ICBC INTERNATIONAL SECURITIES LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF CHINA  
(ASIA) LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF CHINA  
LIMITED, SINGAPORE BRANCH

SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.,  
HONG KONG BRANCH

ABCI CAPITAL LIMITED

BNP PARIBAS

CCB INTERNATIONAL CAPITAL LIMITED

CEB INTERNATIONAL CAPITAL CORPORATION  
LIMITED

CHINA CITIC BANK INTERNATIONAL LIMITED

CHINA CONSTRUCTION BANK (EUROPE) S.A.

CHINA EVERBRIGHT BANK CO., LTD., HONG KONG  
BRANCH

CHINA GALAXY INTERNATIONAL SECURITIES (HONG  
KONG) CO., LTD

CHINA MINSHENG BANKING CORP., LTD., HONG KONG  
BRANCH

CMBC SECURITIES COMPANY LIMITED

CNCB (HONG KONG) CAPITAL LIMITED

INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH

YUE XIU SECURITIES COMPANY LIMITED

- |       |                                    |   |
|-------|------------------------------------|---|
| (ii)  | Date of Subscription Agreement:    | 14 March 2022   |
| (iii) | Stabilisation Manager(s) (if any): | Any of the Managers appointed and acting in the capacity as a Stabilisation Manager |
36. If non-syndicated, name of relevant Dealer: Not Applicable
37. U.S. Selling Restrictions: Reg. S Category 2; TEFRA Not Applicable
38. Additional selling restrictions: Not Applicable

## OPERATIONAL INFORMATION

39. Any clearing system(s) other than Euroclear or Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
40. Delivery: Delivery against payment
41. Additional Paying Agents (if any): Not Applicable
- ISIN: XS2454321519
- Common Code: 245432151
42. Programme Ratings: “BBB+” by S&P  
“BBB+” by Fitch  
“Baa1” by Moody’s

43. Notes Ratings: “BBB+” by S&P

## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be used to repay certain existing indebtedness and for working capital and other general corporate purposes of the Guarantor and its subsidiaries.

## **STABILISATION**

In connection with this issue, any of the Managers named as Stabilisation Manager(s) (or any person(s) acting for it) (the “**Stabilisation Manager(s)**”) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. 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(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## **MATERIAL ADVERSE CHANGE STATEMENT**

Except as disclosed in the Offering Circular as supplemented by this Pricing Supplement, there has been no adverse change on the financial condition, prospects, results of operations, management or general affairs of the Issuer, the Guarantor, or the Group since 31 December 2020 which is material and adverse in the context of the issue and offering of the Notes and the Guarantee.

## **LISTING APPLICATION**

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.\$10,000,000,000 Guaranteed Medium Term Note Programme of CICC Hong Kong Finance 2016 MTN Limited.

## **RESPONSIBILITY**

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

## **SCHEDULE TO THE PRICING SUPPLEMENT**

*The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule.*

### **CAPITALIZATION AND INDEBTEDNESS**

*1. The following paragraphs shall be inserted before the last paragraph of the “Capitalization and Indebtedness of the Group” section on page 62 of the Offering Circular.*

On September 21, 2021, CICC Wealth Management redeemed its RMB1.0 billion 4.99% onshore private corporate bonds due 2021.

On September 24, 2021, CICC Wealth Management issued RMB3.0 billion 2.85% onshore corporate bonds due 2022.

On October 27, 2021, the Company exercised its option to redeem its RMB900 million 3.13% onshore corporate bonds due 2023.

On November 29, 2021, the Company issued RMB 1.0 billion 2.55% onshore commercial paper, which was redeemed on February 25, 2022.

On December 8, 2021, the Company issued RMB2.5 billion 2.97% onshore corporate bonds due 2024 and RMB1.0 billion 3.68% onshore corporate bonds due 2031.

On December 9, 2021, CICC Wealth Management issued RMB3.0 billion 3.06% onshore corporate bonds due 2027.

On December 15, 2021, the Company redeemed its RMB3.4 billion 4.60% onshore corporate bonds due 2021.

On January 13, 2022, the Company issued RMB3.9 billion 3.60% onshore subordinated perpetual securities.

On March 8, 2022 CICC Wealth Management issued RMB1.5 billion 3.07% onshore corporate bonds due 2025 and RMB500 million 3.49% onshore corporate bonds due 2027.

### **DESCRIPTION OF THE GROUP**

*2. The following paragraphs shall be inserted at the beginning of the “Recent Developments” section on page 8 and page 125 of the Offering Circular.*

#### ***Appointment of the Chief Compliance Officer***

On December 28, 2021, the Company announced that the Board of Directors of the Company approved the appointment of Mr. Zhou Jiaying as the Chief Compliance Officer of the Company with effect from same date. Mr. Huang Zhaohui, the Chief Executive Officer of the Company, ceased to perform duties in place of the Chief Compliance Officer from the same date. For the biography of Mr. Zhou, please see “*Directors, Supervisors and Senior Management of the Company*”.

#### ***Appointment of a Member of the Management Committee and the Chief Information Officer***



On October 28, 2021, the Company announced that the Board of Directors of the Company approved the appointment of Mr. Zhang Kejun as a member of the Management Committee of the Company and the appointment of Mr. Cheng Long as the Chief Information Officer of the Company. The terms of office of Mr. Zhang and Mr. Cheng took effect from the same date. For the biographies of Mr. Zhang and Mr. Cheng, please see “*Directors, Supervisors and Senior Management of the Company*”.

### ***2021 Third Quarterly Report Announcement of the Group***

On October 28, 2021, the Group published its unaudited and unreviewed report of the Group as at and for the nine months ended September 30, 2021, prepared in accordance with the Chinese Accounting Standards for Business Enterprises (“CASS”) (the “**2021 Third Quarterly Report Announcement**”). The 2021 Third Quarterly Report Announcement is not included in and does not form part of this Offering Circular. The total assets, total liabilities and total equity of the Group as at September 30, 2021 all increased compared with December 31, 2020. The operating revenue, operating expenses, operating profit, profit before income tax and profit for the period of the Group for the nine months ended September 30, 2021 all increased compared with the nine months ended September 30, 2020.

None of the Arrangers, the Dealers, the Trustee, or any Agent (including their respective affiliates, directors, officers, employees, representatives, advisers, agents and persons who control any of them) makes any representation or warranty, explicitly or implicitly, regarding the accuracy or sufficiency of the financial information contained therein or their sufficiency for an assessment of the Company’s or the Group’s financial condition and results of operations. The 2021 Third Quarterly Report Announcement should not be relied upon by the investors. Potential investors must exercise caution when using such financial information to evaluate the Company’s or Group’s financial condition and results of operations. The financial information contained in the 2021 Third Quarterly Report Announcement should not be taken as an indication of the expected financial condition and results of operations of the Company or the Group for the full financial year ended December 31, 2021.

### ***Appointment of Non-executive Director***

On September 28, 2021, the Company announced that the appointment of Mr. Zhu Hailin as a non-executive Director of the Company was approved at the 2021 First Extraordinary General Meeting of the Company, and has taken effect since the same date. Mr. Zhu has been appointed as the member of each of the Strategy Committee, Audit Committee and Risk Management Committee of the Board of Directors of the Company in the meantime. For the biography of Mr. Zhu, please see “*Directors, Supervisors and Senior Management of the Company*”.

3. *The last paragraph of “Strategic Establishment with Solid Government Support and Outstanding Shareholder Background” section on page 129 of the Offering Circular shall be deleted in its entirety and replaced with the following paragraphs.*

The Group’s shareholders are prolific and consist of high-profile shareholders with diverse backgrounds, including Huijin, Haier Group, Tencent Holdings, Alibaba Group Holding and I&G as well as other well-known domestic and international institutions. Huijin is the Group’s largest shareholder with a direct and indirect shareholding of approximately 40.17% of the Group as at October 31, 2020. Huijin is a state-owned investment company established in December 2003 and mandated to exercise the rights and the obligations as a contributor in major state-owned financial enterprises on behalf of the PRC Government. While maintaining Huijin’s position as the largest shareholder, the Group also introduces diversified strategic shareholders timely, explore new business opportunities and inject new vitality for future development. The

Group's substantial shareholders also include Haier Group, Tencent Holdings and Alibaba Group Holding, which have a shareholding of approximately 8.26%, 4.48% and 4.49% of the Group as at October 31, 2020, respectively. The Group believes that it can benefit from the diverse backgrounds and broad and strategic vision of its shareholders to strengthen the Group's corporate governance, broaden its access to resources and increase its international influence.

## The Group's Corporate Structure

The following chart sets out the simplified shareholding and corporate structure of the Group as at October 31, 2021:



### Notes:

1. This is the shareholding structure of the Company as at October 31, 2021, which includes directly-owned subsidiaries and other principal subsidiaries.
2. Huijin directly held 1,936,155,680 A shares, and indirectly held 2,734,800 A shares through China Jianyin Investment Ltd., JIC Investment Co., Ltd. and China Investment Consulting Co. Ltd., which are wholly-owned subsidiaries of Huijin.
3. HKSCC Nominees Limited is the nominal holder of shares on behalf of H shareholders who do not register the shares under their own names. The shareholding number and ratio of HKSCC Nominees Limited have deducted the shares held by Tencent Mobility Limited and Des Voeux Investment Company Limited which are registered under the name of HKSCC Nominees Limited.
4. Alibaba Group Holding Limited held 202,844,235 H shares and 13,757,670 A shares through Des Voeux Investment Company Limited and Alibaba (China) Technology Co. Ltd. respectively. Des Voeux Investment Company Limited and Alibaba (China) Technology Co. Ltd. are wholly-owned subsidiaries of Alibaba Group Holding Limited.

5. Tencent Holdings Limited held 216,249,059 H shares through Tencent Mobility Limited, a wholly-owned subsidiary of Tencent Holdings Limited.
6. The shares held by Hong Kong Securities Clearing Company Limited refer to shares held by non-registered shareholders of northbound of the Shanghai-Hong Kong Stock Connect.
7. CICC US Securities Inc. is indirectly held by the Guarantor.
8. Certain percentage figures included in this chart have been subjected to rounding.

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GROUP**

*The paragraphs under the “Directors, Supervisors and Senior Management of the Company” section on page 184 to page 191 of the Offering Circular shall be deleted in its entirety and replaced with the following paragraphs:*

### **Board of Directors**

As at the date of this Offering Circular, the Company’s Board of Directors comprises nine Directors, including one executive Director, four non-executive Directors and four independent non-executive Directors.

The following table sets out information in respect of the Directors of the Company:

<b>Name</b>	<b>Position</b>
Shen Rujun (沈如軍)	Chairman of the Board and Non-executive Director
Huang Zhaohui (黃朝暉)	Executive Director, Chief Executive Officer and Chairman of the Management Committee
Zhu Hailin (朱海林)	Non-executive Director
Tan Lixia (譚麗霞)	Non-executive Director
Duan Wenwu (段文務)	Non-executive Director
Liu Li (劉力)	Independent Non-executive Director
Siu Wai Keung (蕭偉強)	Independent Non-executive Director
Ben Shenglin (賁聖林)	Independent Non-executive Director
Peter Hugh Nolan (彼得•諾蘭)	Independent Non-executive Director

**Mr. Shen Rujun (沈如軍)**, born in February 1964, has been appointed as the Chairman of the Company since August 2019, and serves as the executive director and executive Vice President of China Investment Corporation as well as the Vice Chairman, executive director and President of Huijin. Mr. Shen successively served as the Deputy Section Chief, Section Chief, and Deputy Director of the Accounting Division, as well as Deputy Director (in charge of the work) and Director of the Planning Division of Jiangsu Branch of Industrial and Commercial Bank of China Limited (“ICBC”), a company listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 01398), from December 1984 to December 1998. He served as the Vice General Manager of the Planning and Finance Department of ICBC from December 1998 to November 2003, Vice President of ICBC Beijing Branch from November 2003 to July 2008, General Manager of the Finance and Accounting Department of ICBC from July 2008 to

November 2013, and President of ICBC Shandong Branch from November 2013 to March 2015. Mr. Shen served as the Vice President of Bank of Communications Co., Ltd. (“**Bank of Communications**”), a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from March 2015 to June 2018, and Vice President and executive director of Bank of Communications from June 2018 to October 2018. Mr. Shen obtained his doctoral degree from School of Technology and Economics of Hohai University in 2001.

**Mr. Huang Zhaohui (黃朝暉)**, born in January 1964, has been appointed as a Director of the Company since February 2020, the Chief Executive Officer and Chairman of the Management Committee of the Company since December 2019. He joined the Group in February 1998 and held several positions, including the Head, Deputy Head and Co-Head of the Investment Banking Department. He also served as a member of the Management Committee of the Company from April 2015 to December 2019. Prior to joining the Group, he joined China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 00939), and served as a clerk of the Ningbo branch office, an Assistant Research Officer of the Department of Investment Research, a Senior Economist of the Department of Real Estate Financing, Deputy Director of Department of International Business and Director of the Secretariat of the General Administration Office from July 1988 to January 1998. He currently serves as directors of CICC Wealth Management, CICC HK Securities and Jinteng Technology. Mr. Huang obtained a bachelor’s degree in physics from Wuhan University (武漢大學) in July 1985 and a master’s degree in economics from Renmin University of China in July 1988.

**Mr. Zhu Hailin (朱海林)**, born in October 1965, an expert with special grants by the PRC Government, a Certified Public Accountant in China (a non-practicing member), an associate research fellow and a doctoral supervisor, has been appointed as a Director of the Company since September 2021. Mr. Zhu now serves as the Chairman of the Risk and Internal Control Committee of Huijin. Mr. Zhu joined Huijin in August 2017, and successively worked at Banking Institutions Department I, Equity Management Department I and Equity Management Department II. Mr. Zhu served as a director of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 00939), from July 2017 to June 2020, a director of Agricultural Bank of China Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 601288) and the Hong Kong Stock Exchange (Stock Code: 01288), from June 2020 to September 2021. From August 1992 to August 2017, Mr. Zhu successively served as Directors of First Division of Standards, Comprehensive Division and Accounting Personnel Management Division of the Accounting Regulatory Department, and Deputy Director (deputy director general level) of the National Accountant Assessment & Certification Centre of the Ministry of Finance. Mr. Zhu obtained a master's degree in economics from Jiangxi University of Finance and Economics in July 1992 and a doctoral degree in economics from the Chinese Academy of Fiscal Sciences in March 2000.

**Ms. Tan Lixia (譚麗霞)**, born in September 1970, a Chartered Global Management Accountant, has been appointed as a Director of the Company since February 2020. Ms. Tan joined Haier from August 1992, and successively served as a Director of Department of Overseas Market Development, the Chief Financial Officer and the Senior Vice President of Haier Group. Ms. Tan currently serves as the Board’s Vice Chairman and Executive Vice President of Haier Group, Chairman of Haier Group (Qingdao) Jinying Holding Co., Ltd., a non-executive director of Bank of Qingdao Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002948) and the Hong Kong Stock Exchange (Stock Code: 03866), Chairman of Qingdao Haier Biomedical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code:

688139) and Chairman of INKON Life Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 300143). Ms. Tan once served as a non-executive director of Haier Electronics Group Co., Ltd. and Vice Chairman of Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690) and the Hong Kong Stock Exchange (Stock Code: 06690). Ms. Tan currently serves as a standing member of the 12th session of All-China Women's Federation, Vice President of China Women Entrepreneurs Association, the Chairman of Shandong Women Entrepreneurs Association and the Vice Chairman of the 13th session of Qingdao Women's Federation. Ms. Tan graduated from Central University of Finance and Economics majoring in public finance in June 1992 and obtained an EMBA degree from the China Europe International Business School in July 2009 and a doctoral degree from the University of Geneva in Switzerland in January 2022.

**Mr. Duan Wenwu (段文務)**, born in June 1969, a senior accountant, has been appointed as a Director of the Company since February 2020. Mr. Duan has served as the Chairman of I&G (NEEQ: 834777) from May 2020. Mr. Duan served as an assistant to the director of Finance and Accounting Department of State Development & Investment Corporation (later renamed as State Development & Investment Corp., Ltd.) from May 2008 to November 2008, Deputy General Manager of SDIC Finance Co., Ltd. from November 2008 to August 2010, Deputy Director of Finance and Accounting Department of State Development & Investment Corporation from August 2010 to August 2014, Director and Deputy General Manager of China National Complete Plant Import and Export Group Corporation Limited from March 2013 to August 2014, Director of Finance and Accounting Department (later renamed as Finance Department in August 2016) of State Development & Investment Corporation from August 2014 to May 2017, General Manager of SDIC Essence Co., Ltd. (later renamed as SDIC Capital Co., Ltd. in December 2017), a company listed on the Shanghai Stock Exchange (Stock Code: 600061), from May 2017 to March 2018, Chairman of SDIC Finance Co., Ltd. from March 2018 to April 2019, and General Manager of I&G from April 2019 to November 2021. Mr. Duan obtained a bachelor's degree in economics from Xiamen University in July 1990, and a master's degree in business administration from Jiangxi University of Finance and Economics in January 2003.

**Mr. Liu Li (劉力)**, born in September 1955, has been appointed as a Director of the Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. Mr. Liu has served as an independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 000617), since June 2017. Mr. Liu also served as an independent non-executive director of China Machinery Engineering Corporation, from January 2011 to November 2021, an independent non-executive director of Bank of Communications, a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from September 2014 to November 2020, and an independent director of Success Electronics Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002289), from January 2016 to October 2020. Mr. Liu obtained a master's degree in physics from Peking University in July 1984 and a MBA from Catholic University of Louvain in Belgium in July 1989.

**Mr. Siu Wai Keung (蕭偉強)**, born in April 1954, (former name: Francis Siu Wai Keung), has been appointed as a Director of the Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester,

England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Huazhen LLP Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Huazhen LLP Beijing Office and North China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu currently serves as an independent non-executive director of CITIC Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00267), since May 2011, an independent non-executive director of China Communications Services Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00552), since June 2012, and an independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu also served as an independent director of Beijing Gao Hua Securities Company Limited from June 2015 to October 2021, an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), from December 2010 to October 2020, and an independent non-executive director of CGN Power Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 003816) and the Hong Kong Stock Exchange (Stock Code: 01816), from March 2014 to August 2020. Mr. Siu has been a fellow member of the ICAEW and the HKICPA since July 1994 and September 1993, respectively. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

**Mr. Ben Shenglin (賁聖林)**, born in January 1966, has been appointed as a Director of the Company since May 2015. He held several leadership positions in ABN Amro in China and London, HSBC, and JP Morgan Chase from 1994 to 2014. Mr. Ben currently serves as an independent director of Wuchan Zhongda Group Co., Ltd. (物产中大集团股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, an independent director of Sansure Biotech Inc., a company listed on the Shanghai Stock Exchange (Stock Code: 688289), since July 2019, a supervisor of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 00939), since June 2020, an independent director of Zhejiang Orient Financial Holdings Group Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600120), since October 2020, and an independent director of Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since July 2021. Mr. Ben has also served as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002142), from September 2014 to February 2020, and an independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600600) and Hong Kong Stock Exchange (Stock Code: 00168), from June 2014 to June 2020. Mr. Ben joined Zhejiang University since May 2014 and currently serves as a full-time professor and doctoral advisor. He is also the Dean of Academy of Internet Finance since April 2015, and the Dean of the International Business School since October 2018. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and the co-director thereof since July 2018, a counsellor of the Zhejiang People's Government since August 2014, a member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and Vice Commissioner of Economic Policy Committee since January 2018, and the Chairman of Zhejiang Association of FinTech since September 2015. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in industrial enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

**Mr. Peter Hugh Nolan**, born in April 1949, recipient of the Commander of the Most Excellent Order of the British Empire, has been appointed as a Director of the Company since February 2020. He has served as an independent non-executive director of China Everbright Group since January 2019 and the director of China Centre, Jesus College at University of Cambridge since 2017. He has also served as the Director of the China Executive Leadership Programme (CELP) since 2005. Professor Nolan was a lecturer of Faculty of Economics and Politics at University of Cambridge from 1979 to 1997 and Sinyi Professor of Chinese Management at Cambridge Judge Business School at University of Cambridge from 1997 to 2012. He was the founding director and Chong Hua Professor of Chinese Development in the Centre of Development Studies at University of Cambridge from 2012 to 2016 and Chong Hua Professor of Chinese Development (Emeritus) since 2016. Professor Nolan also served as an independent non-executive director of Bank of Communications, a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from November 2010 to November 2017. Professor Nolan obtained his doctoral degree in Economics from University of London in 1981.

### Supervisory Committee

The following table sets out information in respect of the Supervisors of the Company:

Name	Position
Gao Tao (高濤)	Chairman of the Supervisory Committee and Employee Representative Supervisor
Jin Lizuo (金立佐)	Supervisor
Cui Zheng (崔錚)	Supervisor

**Mr. Gao Tao (高濤)**, born in January 1965, has been elected as the Employee Representative Supervisor and appointed as the Chairman of the Supervisory Committee of the Company since June 2017. He has been the Chairman of the board of directors of CICC Wealth Management since October 2015. From June 1991 to May 2005, he held several positions in China Construction Bank including Vice Director and General Manager of the Department of Human Resources of Anhui Branch, and the President of Huainan Branch. From May 2005 to September 2005, he served as a member of the Securities Restructuring Committee of China Jianyin Investment Co., Ltd. From September 2005 to September 2006, he held several positions in CISC, including General Manager of the Department of Human Resources and Vice President. From September 2006 to September 2012, he held several positions in Hong Yuan Securities Co., Ltd., including Vice General Manager, Board Secretary and Vice Chairman. From September 2012 to August 2015, he served as Vice President of China Jianyin Investment Co., Ltd. Mr. Gao graduated with a bachelor's degree from Anhui Agricultural University (formerly known as “**Anhui Agricultural College**”) in July 1986, and an EMBA degree from Renmin University of China in January 2009.

**Mr. Jin Lizuo (金立佐)**, born in June 1957, has been appointed as a Supervisor of the Company since May 2015. He participated in the establishment of the Company from 1994 to 1995. Mr. Jin serves as an independent non-executive director of Beijing Enterprises Environment Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00154), since September 2004 and an independent non-executive director of Dadi International Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 08130), since February 2020. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from the University of Oxford, the United

Kingdom, in November 1993. He is the founding President of the Chinese Economic Association (CEA) UK.

**Mr. Cui Zheng (崔鋒)**, born in December 1980, has been appointed as a Supervisor of the Company since February 2020. He has been serving as Head of Legal Compliance Division of the General Management Department of Huijin since February 2020. Mr. Cui joined Huijin in July 2011, successively served as the Manager of the General Department, the Manager and Senior Deputy Manager of the General Management Department/Banking Institution Department II, Head of Legal Compliance Division of the General Management Department/Banking Institution Department II, etc. From July 2003 to July 2011, Mr. Cui successively served as a Business Director, Business Executive and Senior Business Executive of Corporate Strategy Department (Legal Department) of China Telecommunications Corporation (中國電信集團公司). Mr. Cui received a bachelor's degree in law and a bachelor's degree in economics from Peking University in July 2003, a master's degree in law from Peking University in July 2009 and a master's degree in business administration from Peking University in July 2010.

### Senior Management

The following table sets out information in respect of the Company's senior management.

Name	Position
Huang Zhaohui (黃朝暉)	Executive Director, Chief Executive Officer and Chairman of the Management Committee
Chu Gang (楚鋼)	Chief Operating Officer, Member of the Management Committee
Wong King Fung (黃勁峯)	Chief Financial Officer, Member of the Management Committee
Hu Changsheng (胡長生)	Member of the Management Committee
Huang Haizhou (黃海洲)	Member of the Management Committee
Wu Bo (吳波)	Member of the Management Committee
Wang Sheng (王晟)	Member of the Management Committee
Zhang Kejun (張克均)	Member of Management Committee
Zhang Fengwei (張逢偉)	Chief Risk Officer
Ma Kui (馬葵)	Financial Controller
Sun Nan (孫男)	Secretary to the Board of Directors
Xu Yicheng (徐翌成)	Assistant President
Cheng Long (程龍)	Chief Information Officer
Zhou Jiaying (周佳興)	Chief Compliance Officer

**Mr. Huang Zhaohui (黃朝暉)**, an executive Director, the Chief Executive Officer and Chairman of the Management Committee of the Company. See “- Directors” in this section for his profile.



**Mr. Chu Gang (楚鋼)**, born in February 1964, has been appointed as the Chief Operating Officer and member of the Management Committee of the Company since April 2015. He joined the Group in May 2009 and held several positions, including Managing Director of the Research Department, Deputy Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including Emerging Market Risk Manager, US Local Government Bonds Proprietary Trader, Head of Latin America Stock Derivatives Trading and Managing Director of Alternative Investment Funds from September 1993 to August 2008. He currently serves as directors of a number of subsidiaries of the Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

**Mr. Wong King Fung (黃勁峯)**, born in July 1968, has been appointed as the Chief Financial Officer and member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as Managing Director in the Firm Management Department. Mr. Wong has over 20 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Prior to joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016, during which he held a number of positions in the Asset Management Division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and managing director. From November 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to November 2006, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and executive director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the Audit Department as Auditing and Accounting Trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently director of CICC Hong Kong. Mr. Wong obtained a bachelor's degree in mechanical engineering from University of Bristol in June 1990.

**Mr. Hu Changsheng (胡長生)**, born in March 1966, has been appointed as member of the Management Committee since June 2017, and the Chairman of CICC Fund Management Co., Ltd. since December 2020. From December 1998 to December 2005, he successively served as the Deputy Director of the General Division of the Policy Research Office, member (cadre at division level) of the Planning and Development Committee, Consultant of the Institution Supervision Division, and Commissioner of the Shenzhen Commissioner's Office under the CSRC. From December 2005 to January 2008, he served as the Deputy Director and then Director of the Capital Market Department of Huijin. From January 2008 to November 2011, he has acted as the Senior Business Head and Director of Capital Market Division of the non-bank department of Huijin. From December 2005 to April 2010, he successively held the position as director, Vice

Chairman of the board of directors and Acting President of China Galaxy Securities Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601881) and the Hong Kong Stock Exchange (Stock Code: 06881). From January 2007 to September 2010, he served as a director of China Galaxy Financial Holdings Company Limited. From November 2007 to January 2010, he acted as a director of China Everbright Industry Group Ltd. He also served as the Vice Chairman of the board of directors of China Securities Co., Ltd. from March 2011 to November 2012. He was the Chairman of CISC Changchun Venture Capital Fund Management Co., Ltd. from November 2011 to August 2015. He was the Vice Chairman of the Executive Committee of CICC Wealth Management from March 2012 to November 2019. From November 2011 to April 2020, he served as the Chairman of CISC Luckystone Investment Management Co., Ltd. He was a director and Vice Chairman of CICC Wealth Management from November 2011 to November 2020, while taking the role of President of CICC Wealth Management from December 2011 to November 2020, and the Chairman of the Executive Committee of it from November 2019 to December 2020. Mr. Hu graduated with a doctoral degree in economics from the Graduate Division of Research Institute for Fiscal Science of the Ministry of Finance in June 1997.

**Mr. Huang Haizhou (黃海洲)**, born in June 1962, has been appointed as member of the Management Committee and the Head of the Equities Department of the Company since April 2015 and May 2013 respectively. He joined the Group in December 2007 and held several positions, including the Co-Head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as Research Fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, Economist and then Senior Economist at the International Monetary Fund from July 1998 to August 2005, and Chief Economist and Head of Greater China Research of Barclays Capital from September 2005 to December 2007. He served as a member of the first session of the Hong Kong Financial Services Development Council from March 2013 to March 2018. He currently serves as directors of a number of subsidiaries of the Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree from the Business School of Indiana University, the United States, in July 1994.

**Mr. Wu Bo (吳波)**, born in June 1977, has been appointed as member of the Management Committee of the Company since April 2018, and the Head of Wealth Management Department of the Company since February 2017. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department, member of the Operations Team of the Investment Banking Department and Secretary to the Board of Directors. He has been the President of CICC Wealth Management since November 2020, and Chairman of the Executive Committee of CICC Wealth Management since December 2020. Prior to joining the Group, from July 1999 to June 2002, Mr. Wu served as Auditor of Arthur Andersen Huaqiang Certified Public Accountants and Senior Auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained a bachelor's degree in economics from Peking University in July 1998, and an EMBA degree from Guanghua School of Management, Peking University and Kellogg School of Management (Northwestern University) in July 2018.

**Mr. Wang Sheng (王晟)**, born in June 1977, has been appointed as member of the Management Committee since March 2020. Mr. Wang Sheng is currently Head of the Investment Banking Department and Managing Director of the Company. From March 2018 to March 2020, he served as the Assistant President of the

Company. Mr. Wang Sheng joined CICC in 2002. He successively participated in the reforms and restructurings of a number of industries, including telecommunications, finance, energy and pharmaceuticals, and led numerous landmark capital market transactions. Mr. Wang Sheng has been covering a number of leading domestic and foreign enterprises all the year round, and has been holding key management positions at the Investment Banking Department of CICC since 2010. Mr. Wang Sheng graduated from the School of Economics and Management of Tsinghua University, and obtained a bachelor's and a master's degree in 2000 and 2002 respectively.

**Mr. Zhang Kejun (張克均)**, born in February 1966, has been appointed as the member of the Management Committee of the Company since October 2021, and the member of CPC Committee and Secretary of Discipline Inspection Commission of the Company since August 2021. Prior to joining the Group, he took several roles at Shenwan Hongyuan Securities Co., Ltd. (including its predecessor, Shenyin & Wanguo Securities Co., Ltd.) from April 1994 to August 2021, including General Manager of its branch, General Manager of divisions in headquarters and Assistant President of the company, during which period he also acted as the member of CPC Committee and Secretary of Discipline Inspection Commission for Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. from May 2020 to August 2021. He worked at Xiamen Branch of Industrial Bank in Fujian from April 1990 to April 1994, as Department Manager of the branch and Assistant sub-branch Manager successively. Mr. Zhang obtained a master's degree in computer software from National University of Defense Technology in April 1990.

**Mr. Zhang Fengwei (張逢偉)**, born in December 1967, has been appointed as the Chief Risk Officer and the Head of the Risk Management Department of the Company since June 2017. He joined the Group in April 2004 and held several positions, including Senior Associate of the Operations Department, Vice President, Managing Director and Deputy Head of the Risk Management Department. From March 2011 to February 2015, he served as the Chief Risk Officer of Zheshangjinhui Trust Co., Ltd., an associated company of the Group. Prior to joining the Group, he served as a Programmer and Network Engineer of STONE Group from July 1991 to March 1996, and Assistant Vice President of Bank One N.A. Beijing Branch from April 1996 to March 2004. Mr. Zhang obtained a bachelor's degree in applied mathematics from Tsinghua University in July 1991 and a master's degree in economics from Peking University in July 1997.

**Ms. Ma Kui (馬葵)**, born in October 1971, has been appointed as the Financial Controller, Head of Entity Management Department of the Company since May 2015 and September 2011 respectively. She joined the Group in April 1998 and held several positions including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, chairman of the board of directors of CICC Pucheng and the director of CICC Jiacheng. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as directors of a number of the Group's subsidiaries, including CICC Hong Kong, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996 respectively.

**Mr. Sun Nan (孫男)**, born in September 1979, has been appointed as the Secretary of the Board of Directors of the Company since May 2020. Mr. Sun currently serves as the Head of Strategic Development Department and Firm Office of the Company. He joined the Investment Banking Department of the Company in July 2003, and served as the Head of Global M&A Business of Investment Banking, the Head

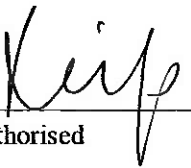
of Sponsor Business of Investment Banking, the member of the Business Review Committee, the member of operations team of the Investment Banking Department, the Head of Strategic Research Department, etc. Mr. Sun has extensive experience in capital operation, research and other areas. Mr. Sun obtained a bachelor's degree in economics from Tsinghua University in 2001 and a master's degree in management from Tsinghua University in 2003.

**Mr. Xu Yicheng (徐翌成)**, born in October 1974, has been appointed as Assistant President of the Company since March 2020. Mr. Xu Yicheng is currently the Head of Asset Management Segment of the Company. He joined the Investment Banking Department of the Company in January 2000, and became Managing Director in January 2008. He took several positions in the Company including Secretary to the Board of Directors, Head of Strategic Development Department and Head of Firm Office. As one of China's first batch of mergers and acquisitions (M&A) professionals, he founded and led the Company's M&A business since 2005. Mr. Xu was responsible for and closed a large number of landmark M&A transactions with a total value of more than USD150 billion, and led the team to top the China M&A leaderboard for five consecutive years (2006-2010). In recent years, Mr. Xu assisted in formulating the Company's medium and long-term strategic planning, including wealth management business strategy, asset management business strategy and other significant strategies, and took the lead in accomplishing important capital operations such as the acquisition of CISC and the introduction of Tencent as a strategic investor. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University in 1997 and a master's degree in finance from the Graduate School of the PBOC in 2000.


**Mr. Cheng Long (程龍)**, born in March 1976, has been appointed as the Chief Information Officer since October 2021, and Head of Information Technology Department of the Company since March 2021. Prior to joining the Group, Mr. Cheng was the Chief Information Officer, Director of Financial Technology Committee, Deputy Director of Wealth Management Committee and General Manager of Internet Finance Department of Zhongtai Securities Co., Ltd. from September 2018 to March 2021. Mr. Cheng served as the Chief Information Officer of Dongxing Securities Co., Ltd. from February 2016 to September 2018, and prior to this, he served as the Chief Technical Architect, Information Technology Director, and Head of PMO Center in CITIC Securities Co., Ltd. from July 2010 to February 2016. Mr. Cheng also directed the Financial Market Solutions Department and worked in IBM SOA-China Development Center and IBM Research-China as a senior researcher from July 2003 to July 2010. Mr. Cheng obtained a double bachelor's degree in computer science and business management from Nankai University in July 1998 and a PhD in computer science from Nankai University in July 2003.

**Mr. Zhou Jiaxing (周佳興)**, born in August 1972, has been appointed as the Chief Compliance Officer since December 2021, and the Head of Legal and Compliance Department of the Company since November 2021. He joined the Legal Department of the Group in June 2009, became the Managing Director in January 2016, and has been appointed as the Head for Legal Matters in Hong Kong of China International Capital Corporation (Hong Kong) Limited since October 2017. Prior to joining the Group, Mr. Zhou had served in several law firms engaging in legal affairs: he has served as a lawyer at White & Case (Hong Kong Office) from August 2008 to March 2009, and as a lawyer at Slaughter and May (Hong Kong Office) from September 2004 to July 2008. Mr. Zhou obtained a bachelor's degree in English teaching from Nanjing Institute of International Relations in July 1993 and a master's degree in law (LLM) from University of Southampton in July 2000.

Signed on behalf of the Issuer:

By:   
Duly authorised

Signed on behalf of the Guarantor:

By:   
Duly authorised